www.financialit.net • Special Money 20/20 Europe Edition

Financial IT

Innovations in FinTech

ORCHESTRATION... FOR IN-PERSON PAYMENTS

Martin Herlinghaus,
Platform Strategist, Aevi

HOW PAYMENT ORCHESTRATION IS DEMOCRATIZING THE PAYMENTS LANDSCAPE FOR MERCHANTS AND FINTECHS

Rene Siegl,
Founder and Executive Chairman, IXOLIT Group

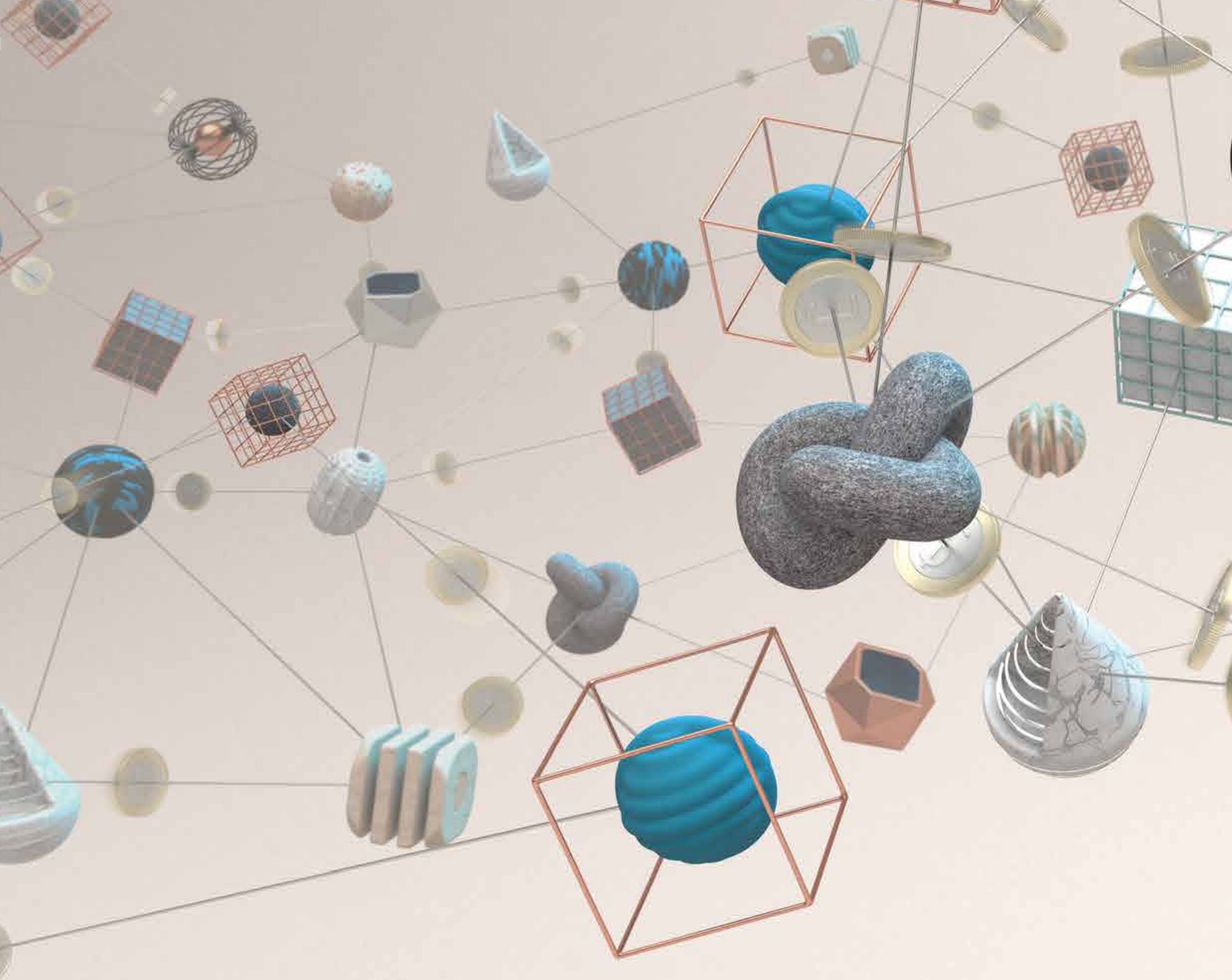
WHY EMBEDDED FINANCE IS THE KEY TO DRIVING TRUE FINANCIAL INCLUSION

Mikkel Velin,
Co-CEO, YouLend

Laust Bertelsen,
Chief Executive Officer,
Banking Circle

Anders la Cour,
Chief Executive Officer,
Banking Circle Group

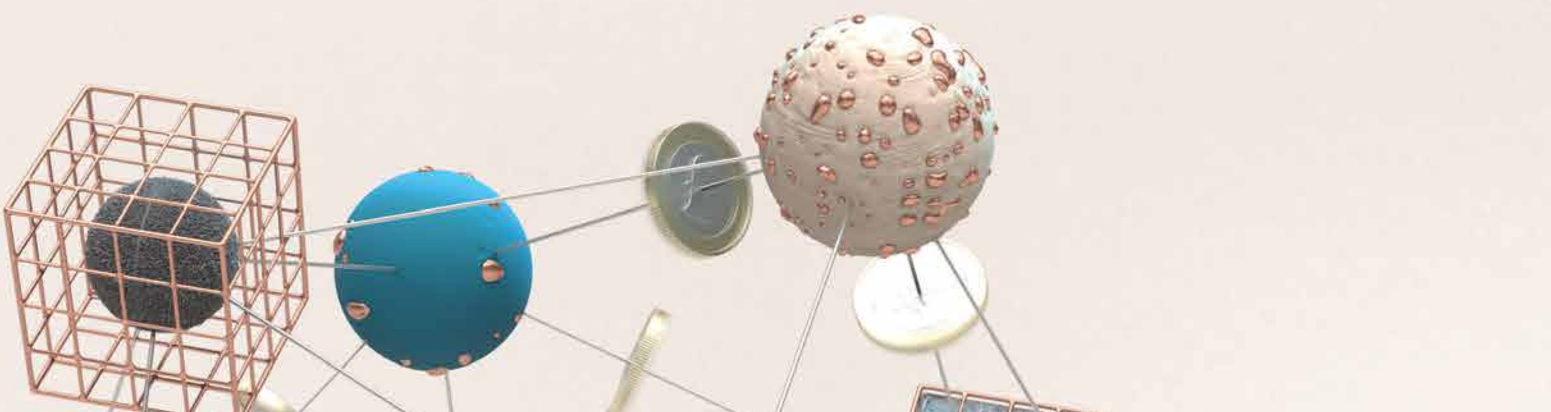
REQUEST to PAY: The next step in the worldwide digital payment revolution

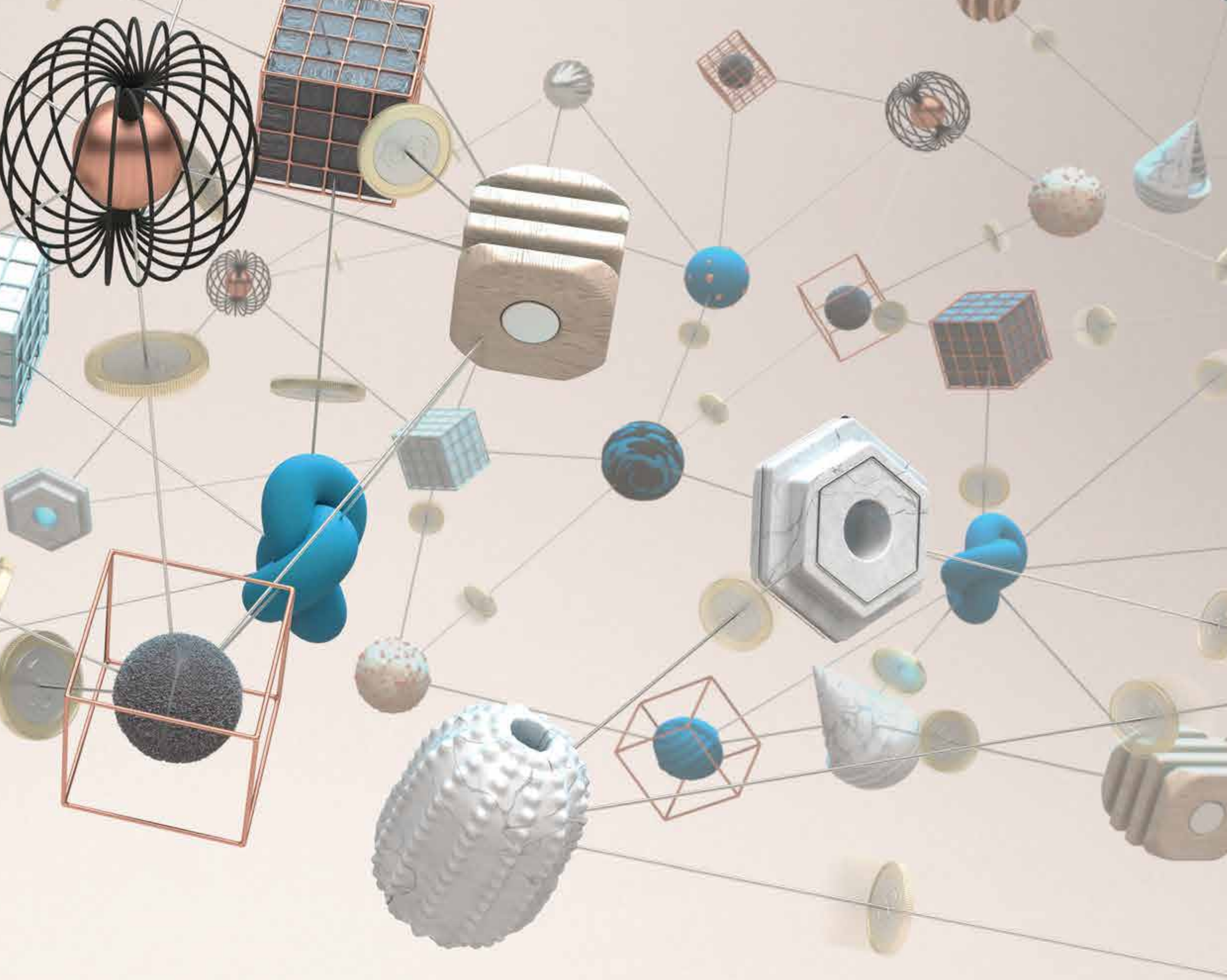


Banking Circle's proprietary technology enables Payments businesses and Banks of any scale to seize opportunities, compete and grow.

From multi-currency accounts to real-time FX, international payments to local clearing, we're quick, low-cost, and secure.

Bypass old, bureaucratic and expensive systems and enable global banking services for your clients.





IN A WORD: EMPOWERMENT

Andrew Hutchings,
Editor-In-Chief, Financial IT

What is this edition of Financial IT really all about?

In theory, it should be very easy to sum up the insights that are, collectively, delivered by our contributors and supporters in an Editors' letter. Each edition nominally has a main topic – and the contributions are usually related quite closely to that topic.

In practice, though, the intersection of financial services with IT is a dynamic and complex place: this means that we typically (and gladly) receive contributions that deal with a totally different topic. The result is that a certain amount of imagination is almost always needed to identify a conceptual thread which runs through the entire publication (or the vast majority of it).

However, this edition of Financial IT could be the exception which proves the rule. As it will be distributed at the Money 20/20 Europe conference in Amsterdam on 7-9 June 2022, all the contributions relate – as you would expect – in some way to payments.

The fact that the conference is built around five Show Themes is just one sign that the global payments industry is very large and complex.

To describe this edition of Financial IT as being about the latest developments in payments would, in a narrow sense, be correct. However, it would be inadequate.

This edition is really all about empowerment.

Empowerment takes many forms

Every one of the very diverse articles from our contributors talks about developments and solutions that bring benefits to several parties. The rise of Request to Pay (RtP or R2P) solutions, for instance, could bring annual benefits of upto GBP3 billion to the UK, as both payers and payees enjoy greater control and communication.

Meanwhile, Software as a Service (SaaS) offerings give traditional financial institutions the ability to make strategic moves at speed. To the extent that those moves involve the delivery of new or better products, the customers (be they existing or potential) should benefit too.

Embedded finance empowers small and medium-sized enterprises (SMEs) as well as payments services providers (PSPs) who are looking for an efficient way of extending credit to customers. Related to this are solutions that make it easier for recruitment agencies (or other employers) to handle payrolls when their employees are all working remotely – and often in other countries.

Meanwhile, other solutions enable operators of exchanges and other infrastructure in the crypto world to more easily comply with anti-money-laundering (AML) regulations. These solutions empower the operators and provide additional protection for the people who use the infrastructure.

In some parts of the world, banks are responding to the declining use in payments of physical cash by pooling their networks of ATMs. This reduces the costs to the banks that are involved and can provide benefits to customers.

One of our contributors explains how payment orchestration platforms (POPs) can empower merchants and acquirers who are involved with e-commerce. Another contributor discusses how the same is true in relation to in-person payments.

Not for the first time in Financial IT, this edition also touches on Robotic

Back to the Table of Contents

Sabrina Akramova,
Managing Editor, Financial IT

Process Automation, Artificial Intelligence (AI) and Machine Learning. When these are combined by an imaginative financial institution, there should be greater resilience for the bank and better customer experience. Once again, many parties are empowered.

The evolution of crypto – and the continuing rise of FinTech

A glance at the provisional schedule for the Money 20/20 Europe conference indicates that the crypto world continues to be seen as relevant and important by many people who are involved in payments.

In his letter for this edition of Financial IT, our Publisher Chris Principe discusses where crypto fits into the history of money. As he explains, the world has embarked on a monumental shift from crypto to central bank digital currencies (CBDCs).

As of the third week of May 2022, the mainstream and financial media continues to be dominated by bad news stories. Economies are experiencing stagnation or rampant inflation (or both). Stock markets and bond markets have been falling. The strength of the US dollar has highlighted the flow of capital away from other parts of the world. There have been problems in the crypto world. The conflict in Ukraine continues: elsewhere, geopolitical issues remain challenging.

However, the smart money that is in and around FinTech in general (including payments of course) remains optimistic. The people who matter can see the opportunities. Our Contributing Editor Katherine Emirosan describes the rise of crowdfunding. As another contributor notes, European tech start-ups raised EUR100 billion – the most ever for a single year – in 2021. Raisings by these companies in 1Q22 amounted to EUR27.5 billion, or 25% more than in the previous corresponding period.

The opportunities come from empowerment – a concept which also features prominently at Money 20/20 in Amsterdam.

We wish everyone a very successful conference.

Andrew Hutchings, Editor-in-Chief, Financial IT
Sabrina Akramova, Managing Editor, Financial IT

Financial IT
Innovations in FinTech

ISSN 2050-9855

Finnet Limited
137 Blackstock Road, London, N4 2JW,
United Kingdom
+44 (0) 208 819 32 53

Editor-In-Chief
Andrew Hutchings
andrew.hutchings@financialit.net

Publisher
Chris Principe
chris.principe@financialit.net

Managing Editor
Sabrina Akramova
sabrina.akramova@financialit.net

Business Development Manager
Katherine Emirosan
kemirosan@financialit.net

Content Editor/Events
Nilyufar Sodikova
nilyufar.sodikova@financialit.net

Multimedia Editor
Bekhruz Khazratov
bekhruz.khazratov@financialit.net

Production/Design
Timur Urmanov

Founder
Muzaffar Karabaev

Enhance your offering with **embedded finance** powered by **YouLend**

Over 20% of SMEs
would switch payment service provider to access fast and cheap business funding

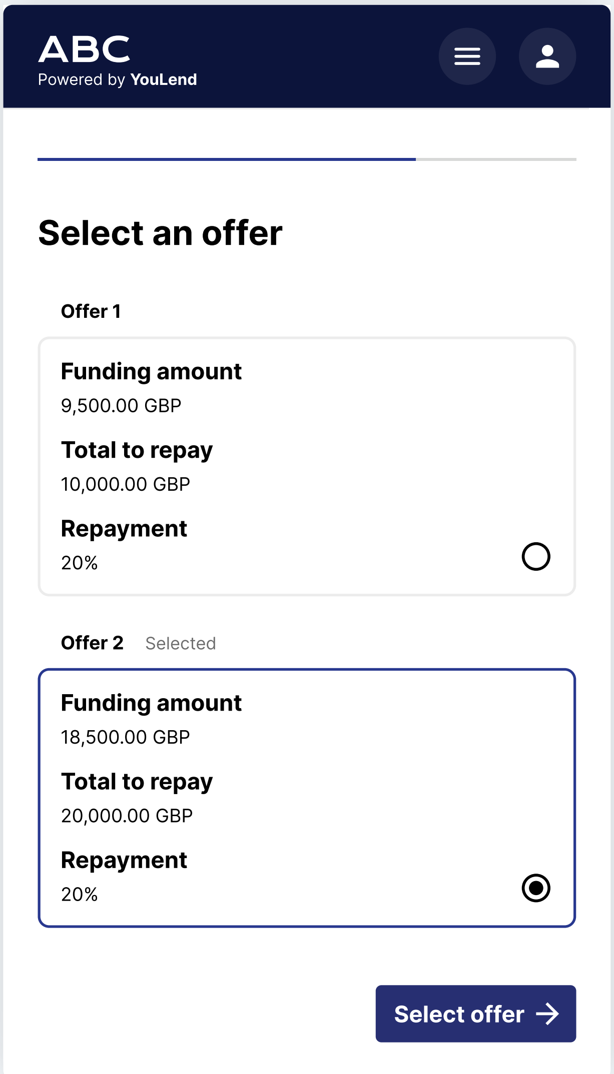
Over 50% of SMEs
needed finance in the last 3 years

Reduce churn with a differentiated product: YouLend Partners see their customers churn 50 to 75% less as they become better able to capture new opportunities or weather unexpected challenges.

Be the inclusive financial partner your merchants need: You can offer SMEs financial support that fits their needs, even when they have just started trading, are still small, or just side-hustles.

Create new revenue streams: Every new funding helps grow your business's top line through earned commissions, and YouLend's penetration rate is **(6x)** that of other providers.

Supercharge the growth of your existing merchants: YouLend Partners see their funded sellers' revenue grow by 36% in the 6-month period following funding.



Get in touch to find out more about how you can offer your merchants embedded finance today

→ **Visit us at Money 20/20** Stand A40

Some of our current partners include:

shopify · ebay · paymentsense · EQT · Allianz Global Investors

CRYPTO TO CBDC

by Chris Principe,
Publisher, Financial IT

Payments have gone through significant innovation in recent history. Each time innovation has improved the convenience, speed, and security of money. Let's review these money milestones.

Barter to Coins: An early form of payment was to trade goods as payment for needed goods. The difficulties were equal measure of value, physical size, and transportation. Precious metals were made into coins innovating the ease of payment to an agreed value assigned to the coin used.

Coins to Banknotes: In the late 1600s, banknotes were introduced changing the financial system forever. The convenience of banknotes provided the ability to move large values more easily. The system changed to one based on faith in the issuer. Sometimes the issuers were companies. Later, they were overwhelmingly governments.

Banknotes to Cards: In the late 1950s credit cards were introduced and became a new form of payment without physical money. Debit cards gave access to your bank account at any time and full-time access to your money although with bank restrictions. Credit and Debit cards are now the primary form of payment with plastic displacing physical money.

Cards to Crypto: Cryptocurrencies brought us a decoupling of the bank middleman for controlling our wealth. Starting with Bitcoin, cryptocurrencies provide the ability to exchange, pay and receive value without banks. This is the beginning of newfound financial freedom. Value you own secured by Blockchain technology.

Crypto to CBDC: Fast forward to today, and another monumental change is expected to occur through central bank digital currencies (CBDC). A CBDC adopts certain characteristics of everyday banknotes, plastic cards, and cryptocurrency. It is expected to provide central banks and the monetary systems they govern a modernizing move.

Let's better understand the characteristics of money and how the next step of CBDC fits in.

Availability: The accessibility of money is a big factor. Cash and general purpose CBDCs can be considered widely accessible.

Mode: Physical or digital forms of money determines distribution and the potential for dilution. In the future, CBDCs will be issued completely digitaly.

Financial IT
Innovations in FinTech

Issuer: CBDCs will be issued by central banks and backed by their respective governments, making it different than cryptocurrencies which generally have no government affiliations.

Technology: CBDCs will have two approaches, a token-based and an account-based. CBDC token-based is like banknotes which do not need your information when transacting. In the account-based system authorization is needed to transact within the network like using a digital wallet or plastic card.

CBDCs are the electronic form of banknotes that we use today. It can be seen as an advanced and efficient edition of cash we use today. Cryptocurrencies act as a store of value that is secured by encryption. Cryptocurrencies are privately owned and based on blockchain technology. CBDCs will not necessarily make use of blockchain decentralized ledgers. Digital currencies by a central bank are backed by the full power of a government. Central Banks need to have the have legal authority to issue a CBDC and the laws enacted to allow for it.

The benefits of a CBDC for the financial system are several. Payments will move efficiently between parties at reduced transaction fees. These benefits extend to those in the population who are unbanked and, in reality, do not need banks. What they need is a quick, efficient, and inexpensive way to pay and get paid. CBDCs can open global access into the financial system without a bank.

CBDC benefits include:

- Increased safety, and efficiency
- Consumer protection and insurance
- Stability of financial policy
- Currency deployment and availability
- Greater limits and visibility into financial crime prevention
- Money-laundering and tax evasion exposure
- Better identity security for fraud reduction
- Direct relationship with citizens and residents

The adoption of CBDCs is still in the future. Countries today are researching, experimenting, developing, and testing CBCDs for eventual roll-outs. In particular, the Bahamian Sand Dollar has already been deployed. Sweden, Uruguay, and China are in tests, with China most likely to soon launch their e-CNY backed by the People's Bank of China.

Financial changes are already visible through the rising market value of fintech firms beyond traditional financial institutions. The rapid rise of Bitcoin and other cryptocurrencies of their market caps has happened in the shortest amount of time of any asset class. Central bank digital currencies are around the corner and is the beginning of the next financial systems disruption. Look at the recent changes within the financial system, disruption has benefited the individual directly more than at any other time in history.

Contents

EDITORS' LETTER

COVER STORY

LEAD STORY

PUBLISHER'S LETTER

INTERVIEW

FEATURED STORY

FEATURED STORY

Laust Bertelsen,
Chief Executive Officer,
Banking Circle

Anders la Cour,
Chief Executive Officer,
Banking Circle Group

REQUEST to PAY: The next step in the worldwide digital payment revolution

Anders la Cour, CEO of Banking Circle Group examines how Banks, FinTechs, and Payments businesses as well as their customers stand to gain from Request to Pay today and in future.

Delivering simpler and safer billing, more control over when and how to pay and a simpler alternative to traditional invoicing, Request to Pay is becoming increasingly popular. Also known as R2P and RtP, Request to Pay is a secure messaging framework – not a payment solution in itself – that is designed to complement existing payment infrastructure. Request to Pay allows billers to easily request direct account-to-account payments via the payer's existing online banking account or app, and for the payer to send a real-time payment quickly and easily, query the amount requested, decline to pay, or open a dialogue with the biller.

Through Request to Pay, payments are made simpler and more flexible for businesses and consumers, as well as cheaper and easier to manage for the financial institutions and merchants involved in the payment journey. Alongside Buy Now Pay Later (BNPL), Request to Pay is emerging as a cornerstone of payments in the digital era.

Complementing existing payments infrastructure, sitting alongside Direct Debit and other payment methods, Request to Pay gives companies that have, historically, relied on invoicing for payment – and all the time, admin and delays that entails – the ability to turn the tables and request payment for a bill. It also dramatically cuts the time and cost involved in chasing payments and settling disputes.

Clear advantages

The advantage for the seller is clear; the advantages for buyers are also considerable. On receiving a 'Request to Pay', a customer can quickly and easily pay in full or in part, opt to communicate with the biller, ask for more time or even decline to pay. This brings more flexibility and control over how they manage their finances, increasing financial inclusion.

Around the world, Request to Pay is in its early days. According to a recent study published in Financial IT in February[1], fewer than one in five European banks currently offer Request to Pay solutions although this is expected to reach one in two by the end of 2023. But as a payments innovation that is fit for purpose for the future, it is already showing tremendous growth, indicating the enormous appetite for a flexible, low cost and secure new way to manage regular or one-off payments.

The same research revealed that 73% of the industry stakeholders surveyed saw cost reduction in reconciliation as a main benefit, with real-time cashflow visibility and general cost reduction following close behind (63% and 56%, respectively).

Global Request to Pay variation

In the UK, Request to Pay is Pay.UK's inaugural output, with the organisation quoting impressive economic benefits: "It is estimated that it could save the UK economy £1.3 billion per year. However subsequent research to that which was carried out in 2016 and 2017 would now suggest that this is a conservative figure, and it is more likely to be between £2 and £3 billion."[2]

UK FinTechs and banks have launched Request to Pay offerings for invoicing, personal and Peer-to-Peer (P2P) payments, with Request to Pay seen predominantly as an opportunity within the business-to-consumer (B2C) and consumer-to-business (C2B) fields, especially within e-commerce. However, in Northern Europe the peer-to-peer capabilities of Request to Pay are being used where relatives are asked for money, or to pay bills. Denmark is a great example of this use case.

Currently most Request to Pay schemes are built as a national model designed to be connected to regional interfaces such as P27 in Northern Europe. Indeed, Request to Pay frameworks are already established in the UK, EU, Australia and the Nordics, with a US scheme having gone live in 2021 and a second estimated to go live in 2023.

In some regions, and when coupled with instant settlement, Request to Pay is used as an alternative to Direct Debit (DD). However,

---

1 *Source: Financial IT, 21 February 2022: How close are we to industry adoption of R2P? https://financialit.net/blog/pay-payment/request-pay-what-it-and-how-close-industry-adoption*

2 *Source: www.wearepay.uk/what-we-do/overlay-services/request-to-pay*

whilst this is a potential use in some specific cases, it is not wholly accepted and cannot compete directly with the classic use of DD – certainly not before Request to Pay and open banking allow mandates and recurring payments. In situations where DD is used as an alternative to card payments, however, we do expect to see Request to Pay rapidly gaining momentum in the coming months and years.

In the UK banks and consumers view DD as a superior payment solution due to the security and convenience it provides by making payments invisible: the due date is scheduled and automated. It will take time, therefore, for Request to Pay to gain ground in the UK market.

The picture is different in Portugal, though, where DDs are perceived as "suffered" by the consumer. In Germany, SEPA DD is preferred even as a payment method for e-commerce.

Most regions are utilising a convenient one-to-many platform for merchants and banks, through which banks access a suite of standardised and robust Request to Pay services. The platform model empowers payer and payee by providing a central overview of transactions and real-time insights into flow of funds.

Another option, however, is where payments are handled via a single integration between a third-party provider and the bank's API architecture. Customers provide the third-party with their username and password for each transaction, and the third-party accesses the bank account to retrieve the funds. Exchange of funds occurs via the same rails as if the customer made the transfer themselves, and security is assured by the requirement for the customer to input their bank log-in details for every transaction.

The win-win of cutting cost and increasing security

Request to Pay consumer authorisation happens within a bank's app or website, meaning that Request to Pay transactions are protected by bank-level security. This can include two-factor authentication and the Strong Customer Authentication protocols mandated by the EU's second payment services directive (PSD2), where appropriate. As a result, Request to Pay is extremely secure, reducing fraud and cutting the cost of risk management.

Also valuable for merchants is the lower cost of Request to Pay versus card payments. For businesses currently reliant on card payments, Request to Pay offers an alternative that bypasses the card rails and associated interchange fees, dramatically reducing the cost per transaction.

Consumers and businesses alike are also attracted to Request to Pay's potential for instant settlement, although that depends on the method adopted by the banks involved in the transaction. Request to Pay is already proving popular for speeding up the cashflow of micro merchants and 'gig' economy workers, and for removing the friction in bill payment for the 18-34 demographic.

Hurdles remain

While the list of benefits to all parties is extensive, there are still several hurdles to be overcome before Request to Pay can reach its potential – and save the economy the promised billions.

One of the most significant of these hurdles is also listed under the benefits: PSD2 compliance. The current requirements are extremely secure, but the need for full customer authentication for every transaction is off-putting for many would-be users. The positive news is that this is being addressed. The minimum transaction volume requiring full authentication was recently increased to €50, and £100 in the UK. In addition, automated customer authentication systems are coming to the fore, able to satisfy this requirement without reducing the security of the system.

Integration and deployment of the Request to Pay solution can also be a roadblock for banks. For most, the solution will simply be deployed via their internet banking or mobile app but integrating Request to Pay within a bank's existing systems brings about more challenges. Banks must decide whether to integrate a third-party solution within their own API architecture, or create a single one-to-many platform through which all banks and merchants can access standardised Request to Pay services.

While the third-party integration option may be the fastest route to market today, the one-to-many platform will be the better approach in the longer term. There is a significant amount of work required to ensure all banks and their customers can connect and successfully use Request to Pay messaging. Once that piece of work is complete within a region, it can be more easily expanded to enable cross-border Request to Pay activity.

Taking third-party integrated solutions cross-border would mean untangling a web of one-to-one integrations, incurring cost and time no one wishes to waste.

Another step in the digital shift

Request to Pay clearly demonstrates the potential of a flexible payment system based on Open APIs and designed to fit the needs of users in the digital era. It fits perfectly within the industry-wide shift to digital services, providing a more accessible payment solution. It makes sense, therefore, that banks looking to modernise their payment platforms by launching Request to Pay solutions decide whether to adopt the third-party or platform approach.

It is likely that the national and international one-to-many platforms will prove cheaper and more efficient than integrating third-parties, as is already demonstrated in the Nordic and UK schemes. They will also be more easily connected across borders, bringing vital interoperability capable of increasing both the potential and the use cases of Request to Pay.

Despite rapidly gaining momentum today, it will undoubtedly be a few more years before Request to Pay reaches its potential. However, once adopted, secured and linked to digital and mobile uses, Request to Pay will have the capacity to become an international payment model and a viable alternative to current international payment schemes.

Banking Circle is currently working with banks across Europe on a range of Request to Pay-related projects, including payments platform modernisations, developing API architectures and integrating third-party services. A white paper on the opportunities of Request to Pay can be accessed from www.bankingcircle.com.

BANKING CIRCLE

ORCHESTRATION... FOR IN-PERSON PAYMENTS

Interview with Martin Herlinghaus, Platform Strategist at Aevi

Financial IT: Aevi talks a lot about orchestration. What is that, exactly?

Martin Herlinghaus: Ultimately orchestration is about flexibility! On the one hand, it is about freedom of choice with regard to partners and on the other hand, it is about the flexibility to design and operate the checkout and payment flow across partners, devices and territories! And this is easier said than done, especially in in-person commerce, which is a highly security-driven environment, with lots of local regulations and devices that were designed as data fortress, acting as anchor points to the physical world.

Orchestration is therefore extremely relevant in a digital-first world to connect all stakeholders, i.e. merchants, acquirers, payments processors, providers of alternative payments methods, and providers of data management solutions to work together to provide the best possible services to their respective customers.

If a merchant wants data to better understand its customers, orchestration delivers. If VAT or loyalty programs enter the picture, orchestration can cope. If changes to providers are required, orchestration will enable this. Orchestration requires the technology to ensure that different systems from different organisations are seamlessly integrated. Nevertheless, orchestration is, of course, digital-based. It has been central to the rapid evolution of online payments and e-commerce.

Financial IT: What about in-person payments?

Martin Herlinghaus: To date, that has been a completely different story. In contrast to e-commerce, in-person commerce has a far longer history and has been designed in a sequential way, in analogy to cash payments. This design flaw haunts all industry players in a highly connected, digital world.

In some cases, financial institutions that are involved with the payments process have legacy systems that make it very difficult for them to innovate. In others, they must take into account the ubiquity of local payment cards – such as Girocard in Germany or Carte Bancaire in France, who come with their own regulations.

The problems don't stop there. Independent Software Vendors (ISVs) may find it difficult to make headway in payments services markets where the acquirers, the merchants, and the payments processors are – for whatever reason – inflexible. The same goes for Independent Sales Organisations (ISOs) which play a key role in enabling smaller merchants in the United States. Not only do they need to cater to upcoming new payment types, such as "buy now, pay later", but they also need to redefine their business role, as smaller merchants require them to offer them more than just in-person payments. They want business enablement services across channels.

Financial IT: So, Aevi aims to make in-person payments as creative as online payments?

Martin Herlinghaus: Exactly. Our platform provides the orchestration and the integration. We connect all the different players in the payments ecosystem. We work with merchant acquirers, specialist payments services providers (PSPs), ISVs, ISOs and financial institutions. Our platform is open, device-agnostic, and flexible. It enables payments and data to flow through any channels that may be required. It allows the entire ecosystem to evolve.

Financial IT: Can you give some examples?

Martin Herlinghaus: We have been working for some time with one of the leading universal banks in the Benelux region. They are a major acquirer and were looking to do more work with small merchants. They had a user-friendly tablet-like device for the merchants. By using our platform, the bank had access to the software and connectivity that was needed for this major project.

We are also collaborating with leading fuel retailers in Europe. As you can imagine, the surge in the numbers of electric vehicles (EVs) poses some interesting challenges to them. There are also opportunities. These companies should be able to do good business by providing charging points for EVs. However, that raises questions of how, exactly, the drivers pay to recharge their batteries. We're talking about in-person payments here – and that means that Aevi can help.

Alternatively, consider a major supermarket operator with a strong presence in Germany, say, another 10 countries (mainly) in Central and Eastern Europe. Generally, that means that they will have to work with a local bank as acquirer and local payments gateways. They will likely have a lot of pricing power in negotiations with the acquirers and the providers of the hardware that will feature at every checkout desk at each of their stores in the different countries.

However, they won't have centralisation. In terms of their payments infrastructure, they will be operating a silo for each of the different countries. This again limits their ability to introduce new features and to harmonize their digital with their instore operations, resulting in high operational costs and long roll-out cycles.

Our platform is designed to help all players in the payments value chain to overcome these challenges, as we are taking out the complexity of in-person commerce for all of them. This allows the entire industry to rethink how they work together; this is what orchestration is all about.

Financial IT: How would you summarise all this?

Martin Herlinghaus: The world of payments consists of two parts. Online payments have always been digital. In-person payments still largely take place on infrastructure that was developed in the analog era. We make in-person payments digital. Our platform enables all players in the in-person payments ecosystem – big and small – to benefit from rapid change. That is what orchestration is all about.

Aevi is a Fintech that is on a mission to make in-person payments as innovative as online payments. Fully cloud-based, the Aevi platform lets customers, and partners, embrace the latest payment tech.

It empowers their merchant businesses with unprecedented data, enabling growth and improvements to the customer experience. Device agnostic, it puts their customers firmly in control. An investment in 2021 from Mastercard demonstrates that Aevi is one to watch in the global payments market.

In May 2022, Aevi revealed a fresh brand to reflect the openness and flexibility that are now essential for any Fintech. The brand reflects the essence of Aevi – open, fearless, honest and positive.

Today, the award-winning Aevi operates across Europe, Australia and the US with offices in London, Prague and Paderborn.

HOW PAYMENT ORCHESTRATION IS DEMOCRATIZING THE PAYMENTS LANDSCAPE FOR MERCHANTS AND FINTECHS

Taking payments online has traditionally been dominated by the large card schemes. Merchants were extremely limited in how they could process transactions and therefore subjected to the expensive fees of the few providers available. As eCommerce has grown, so has the payments landscape. While some merchants have leveraged this to their favor, others have yet to optimize their setup in order to get the most out of their payment stack.

How is the landscape changing?

The last two years have been the perfect breeding ground, as most businesses had to shift all or most of their business online and more customers were forced to make online purchases. This has seen an explosion in the use of alternative and local payment methods, who cater to those who may not own a credit card or have a bank account. PSD2 and strong customer authentication (SCA) has seen more consumers, capable of using traditional methods, embrace open source technology, such as open banking and forgoing the use of debit or credit cards.

However, payment methods are only part of the story. It is also about the user experience as the way in which we shop has changed. With our online lives now bleeding more and more into our offline ones, we expect our shopping experiences to be more organic and seamless. With social and networking sites now offering a purchasing experience, and consumers wanting seamless experiences. The checkout page has changed. We no longer want to fill in vast amounts of details across multiple pages, we want quick buy now buttons that can be done in seconds.

How can merchants adapt to these changes?

Merchants are now having to spend more time building integrations to payment service providers, improving their checkout pages which allow for omnichannel experiences, all the while running their business. However, with a payment orchestration platform, they can consolidate their payments and easily build optimized checkout experiences that work across all their shopping channels, such as websites, social media, and brick and mortar stores.

So what is a payment orchestration platform (POP)? A POP works as a technical layer that sits between the merchant and their payment service providers. Through one API, merchants can connect to multiple providers, use smart transaction routing, consolidate all their payment data and benefit from real team analysis. It is about providing merchants access to payment service providers and payment methods that are best suited to their business. It is not only letting the merchants choose who they want to work with, but also how. This freedom of choice, working with providers based on what they can offer your business, gives merchants the flexibility and independence they need to scale. For this to be done successfully and with as little friction as possible, a payment agnostic orchestration platform, like IXOPAY, is required.

How Payment Orchestration puts merchants in the driving seat

Merchants who use a payment orchestration platform are given the infrastructure they need to build and grow their payment stack. Merchants can build check out pages that work across multiple platforms, or use payment links and QR codes which are common across social media sites and messaging functions.

By connecting with payment service providers through this additional layer, they can negotiate better deals, and avoid provider lock-in and route transactions easily across all their providers. With the IXOPAY payment orchestration platform, you can connect to providers in the library instantly and for connections that have not yet been made, only a quick build time is needed. More and more retailers are seeing the benefit of working with multiple payment service providers. All merchants can have access to this technology, not only does it protect their bottom line, but it also allows them to expand and scale their business when and how they would like, by giving them the tools to reach out to new markets and offering the payment methods used by the locals.

How can fintechs benefit from payment orchestration?

The benefits for the merchant are clear, however why is a payment orchestration platform interesting for fintechs? The answer is simple, as a technological service and agnostic provider with no financial licence, the techonology is perfect for white labelling. By white labelling a platform and branding it in your corporate design, fintechs, such as acquires, PayFacs, ISOs, and more are able to create an additional revenue stream without the complex and costly issues that come with building their own product. We have also seen how banks, both digital and traditional, are seeing it as an opportunity to benefit from the PSD2 directive and use it to bring an innovative product to their existing and new clients.

By streamlining the payment infrastructures of businesses and eliminating the need for building and maintaining complex integrations, merchants are able to choose their perfect payment stack. Working with an independent provider, such as IXOPAY, means that there is no financial gain—for the POP—from the merchant's choice of provider, giving them the ability to choose the right payment providers based on merit and worth to their business alone. A payment orchestration platform allows its users to not only survive but to truly thrive in the payments ecosystem. To find out more about payment orchestration and how your business could benefit checkout out www.IXOPAY.com.

About Rene Siegl:

Rene is the Founder and Executive Chairman of the IXOLIT Group, which was founded in 2001. Since 2014 Rene has been leading the development of the IXOPAY Payment Orchestration Platform, which addresses the global payment scaling needs of online merchants and licensed payment institutions.

IXOPAY

IXOPAY is a scalable and PCI-certified payment orchestration platform for white label clients and enterprise merchants. The modern, easily extendable architecture enables the orchestration of payments, provides intelligent routing and cascading functions as well as state-of-the-art risk management, automated reconciliation, and settlements along with plugin-based integration of acquirers and PSPs.

WHY EMBEDDED FINANCE IS THE KEY TO DRIVING TRUE FINANCIAL INCLUSION

Mikkel Velin,
Co-CEO,
YouLend

Historically, the financial landscape for small business owners has told a frustrating, but familiar story: one of exclusion. Despite the digital evolution that businesses have undergone over the last decade, finance providers still rely on backwards-looking data points, like credit payment history, or time trading. For many small businesses, these data points are either not available, or not indicative of their ability to repay financing or their potential for success. As such, they are unfairly excluded from crucial funding.

But that state of affairs is changing. Embedded finance, which allows tech companies, e-commerce platforms, payment service providers (PSPs) and other similar platforms to integrate financing into their services, is paving the way for financial inclusion.

A light at the end of the tunnel for SMEs

SMEs contribute a significant proportion of the UK's GDP – but despite the important role they play in supporting the country's economy, they have long suffered at the hands of traditional finance providers. Traditional financiers' models often ignore data points that can be excellent risk predictors, especially in our increasingly digital world – such as revenue diversity and volatility of customers, or metrics on the perception of the SME from their customer base.

As well as ignoring a wide range of broader factors in their risk assessments, traditional financers also often place a disproportionate weight on traditional, limited and backwards-looking factors – such as time trading and number of employees. The UK government's Help to Grow scheme is a good example of this – to qualify, businesses must have at least five employees and must have been trading for at least 12 months – excluding hundreds of thousands of profitable SMEs.

A technological advantage

The difference between embedded finance and traditional finance ultimately lies in the technology underpinning the offerings – Integrated data analysis between the finance provider and the PSP or marketplace.

Ultimately, the technology allows more relevant data points to be incorporated. This enables the financial assessment to better establish what success looks like for different businesses, resulting in higher acceptance rates and driving financial inclusion up. YouLend's credit risk models, for example, calculate the underlying risk of the merchant losing the customers that drive their revenue, rather than simply assessing the probability of the merchant not repaying.

By incorporating more data points that take into consideration what success looks like for different businesses, more businesses can be accepted for financing and help to drive financial inclusion. This type of technology means that nine out of 10 merchants who apply for financing with YouLend are accepted, and yet their default rates are still on par with industry standards.

Alternative data sources can further improve underwriting speed and accuracy, requiring minimal input from merchants to provide funding. Because of this, the majority of financing decisions at YouLend are instant, ensuring not only a faster transaction, but also instant visibility for merchants on their cash reserves. The technical infrastructure automatically deducts the repayments from the merchants' bank accounts without manual interference, meaning merchants find cash flow management even easier and can make payments in line with income.

Finally, the technology that underpins embedded finance also addresses the issue of speed. For businesses operating in this fast-paced digital space, same-day financing could be the difference between being first to market, or losing crucial customers to competitors.

Everybody wins

It's not only the merchants that benefit from embedded finance – the embedders (that is, the platforms that choose to provide embedded finance to their customers) benefit, too.

The flexibility, affordability and deep integration of embedded finance allows platforms and providers to extend their core offering almost immediately and provide the financing that their merchants crucially need at speed (in less than five days). As a result, as well as increasing core sales by up to 36%, embedding finance also reduces customer churn rate by up to 75% and attracts more merchants to these platforms.

The white-labelled solution also means that merchants feel like they are in a familiar ecosystem at all times, increasing trust and allowing embedders to maintain a strong brand identity, without any of the up-front investment or risk.

Partnering also places most costs, including research and technology development, with the external embedded finance provider, instead of the platform, bank, or tech company looking to embedded financial products. And because the provider can split R&D and infrastructure costs across multiple clients, individual unit costs are driven down through economies of scale.

The path to financial inclusion

The current financial services system relies heavily on backwards-looking data points, particularly for financing, such as credit repayment history – and for those looking for business financing, trading time and number of employees are often also crucial eligibility requirements. For many small businesses, this kind of historical data is often simply not available – resulting in their exclusion from crucial funding.

Undoubtedly, embedded financing is key to delivering financial inclusion. Particularly for SMEs, side hustles, e-commerce businesses, and other businesses that are on the periphery of the business landscape – who have historically found it more difficult to access financing, but undeniably need it the most – the convenience, speed and ease of accessing financing via platforms that they use on a daily basis anyway, has changed the financing game.

About YouLend

At YouLend, we enable our clients such as e-commerce providers, PSPs, tech companies, banks, and other marketplaces to extend their core service to SMEs by embedding flexible financing options into their existing product suite. This helps the underlying SMEs who grow 25-35% faster in the 6 months after they obtain financing. It also creates a 'stickier' product experience: SMEs who are offered embedded finance are less than half as likely to switch to other providers.

YouLend is part of an ecosystem of partner companies including Banking Circle S.A, Biller, SEPA Express and B4BPayment, allowing our clients to quickly and easily offer their SMEs tailored financial products across several jurisdictions, including all of Europe, and soon in the US. Our clients can immediately create value for their SMEs, without having to navigate the usual regulatory and technical hurdles in each individual country.

YOULEND

MORE SAAS THAN EVER

An interview with Michalis Michaelides, Sales Director Europe, BPC

Michalis Michaelides is a global business development specialist with strong emphasis on the payments technology sector. He has over 25 years of experience in diverse markets such as Europe, Middle East, Africa and India. His extensive experience includes working with both established corporates as well as ambitious startups: he helps them to bring to life their value propositions and build lasting consumer experiences.

Financial IT: Michalis, could you please share with us what have been the latest developments at BPC?

Michalis Michaelides: It is difficult to know where to begin. A huge variety of protagonists have formed partnerships with us in order to further their strategic ambitions.

In Mexico, for instance, Up Sí Vale has chosen our platform so that it can modernize its offering and improve security. Up Sí Vale is a leading issuer of pre-paid cards and has 4 million customers.

On this side of the Atlantic Ocean, German-based OneFor has chosen us as the basis for its payment proposition for remote workers across Europe. OneFor wants to make it easy to send money between friends and family.

We are also working with a number of acquirers and payments services providers (PSPs) in Europe, so that they can take advantage of cloud computing as they expand.

Founded in 1996, BPC has transformed over the years to deliver innovative and best-in-class proven solutions that fit with today's consumer lifestyle when banking shopping or moving in both urban and rural areas, bridging real life and the digital world. With 350 customers across 100 countries globally, BPC collaborates with all ecosystem players ranging from tier-one banks to neobanks, Payment Service Providers (PSPs) to large processors, ecommerce giants to start-up merchants, and government bodies to local hail riding companies. BPC's SmartVista suite comprises cutting-edge banking commerce and mobility solutions including digital banking, ATM & switching, payments processing, card and fraud management, financial inclusion, merchant portals, transport and smart cities solutions.

We are very proud to have been a key part of the launch of neobanks in Asia, from Cambodia to the Philippines.

At a glance, each of these examples looks very different. What they have in common is that our partners want to outsource services to us using a Software as a Service (SaaS) operating model.

Financial IT: Great. What has all this meant for BPC as a business?

Michalis Michaelides: Over the last year or so, revenues from our SaaS business have grown by about 70%. We see it as being central to our business development around the world.

For instance, we are working with Oracle and its Oracle Cloud Infrastructure (OCI) to promote our SaaS offerings in the United States.

Financial IT: Let's talk about demand for SaaS. Why are fintechs keen to adopt it?

Michalis Michaelides: Traditional banks have been reluctant to adopt SaaS. Fintechs and other e-commerce software providers have realised that they have no alternative but to adopt Saas.

On one hand, they face stiff competition from challengers. On the other, they face an ever-changing regulatory landscape. They know that, to remain in the game, they need to be able to adapt – meaning that they have to be able to launch new products – in days.

The growth of remote working – which is due in part to the impact of the Covid-19 pandemic – has also boosted demand for SaaS solutions.

At this point in the conversation, though, I'd point out that the companies that we work with do not necessarily move all technological aspects of their business into the Cloud. Many keep some activities on their existing systems and infrastructure. Some, for instance, they keep internal control of their KYC activities, but outsource other processing activities.

Financial IT: What is it that traditional financial institutions could not do with traditional models that they can do with SaaS?

Michalis Michaelides: The short answer is that they could not make significant strategic moves at speed. Consider a traditional financial institution that wants to offer a new BNPL program on its legacy platform(s). That could take years to plan and implement. With a SaaS model, they can be up and running in weeks.

SaaS is also cheaper – but, in our view, that is a secondary consideration.

Financial IT: What do you see as being the biggest changes in the world of payments over the last year?

Michalis Michaelides: As you can imagine, given what I have said about SaaS, use of the Cloud is really picking up – across many different market segments and around the world.

Embedded finance is another hot area. We are seeing a lot of interest from non-financial companies that are looking to improve the experiences of their customers at the time that payment is made – and also from non-financial companies who want to distribute financial products.

Marketplaces continue to grow rapidly – as many retailers and distributors see marketplaces as making it easier for them to scale up their own businesses.

Meanwhile, acquirers and PSPs are looking for value-added propositions with which they can improve their market positions.

Financial IT: Finally, let's consider the main themes of the Money 20/20 Europe conference, which will take place in Amsterdam on 7-9 June. What is your view of the agenda?

Michalis Michaelides: Once again, we are pleased to see that payments are at the centre of the conference.

The conference recognises the rise of variety of choice and interoperability of systems. We totally agree with this. BPC has been focusing on instant payments systems for central banks. For the digital economy to work, all ecosystems need to work locally, regionally and even globally. This will produce opportunities for our partners.

We also agree that acquisition is out and that enablement is in. Solutions will need to help companies develop embedded finance. Solutions will need to boost financial inclusion.

Financial IT: Do you have any final comments?

Michalis Michaelides: I am pleased to see that BPC is involved with all the main themes that have been identified for Money 20/20 Europe. I am proud of the progress that we have made over the last two years. As noted, we work with more than 350 financial institutions across 100 companies. We have developed a SME marketplace. We continue to invest in our APIs. We promote financial inclusion. Therefore being able to design solutions and services that make a true impact in people's lives cannot be more rewarding.

Financial IT: Thank you.

Richard Prime,
Co-Founder and CEO,
Sonovate

Richard Prime co-founded Sonovate in 2013 with his co-CEO Damon Chapple, to bring to market a platform that enables modern businesses globally to scale while having certainty and security over the payment of their contingent workforce.

Before establishing Sonovate, Richard spent more than 12 years in senior leadership roles at SThree Plc, the £1.3bn recruitment group that specialises in the STEM sectors. There, Richard was appointed to the Executive Board in 2007 and was responsible for a number of SThree's consultancy brands in multiple territories.

SONOVATE
Accelerating Simple & Fast Finance for a New Working World

An interview with Richard Prime, Co-Founder and CEO, Sonovate

Richard Prime, CEO of Sonovate, discusses lending platforms, embedded finance, recent industry trends and how Sonovate aims to address market issues.

Financial IT: Can you describe Sonovate's mission?

Richard Prime: Sonovate was founded in 2013 as an alternative to traditional invoice finance products that are provided by the main banks. We provide tech-driven finance and workflow solutions to recruitment agencies, online freelance marketplaces, consultancies, and other businesses of all sizes that work with contractors and freelancers. Almost a decade on, Sonovate is now one of the fastest growing businesses in the UK.

We believe the future of work is the ability to work anywhere how you want, and this is especially true after the events of the past two years. Our mission is to help individuals to work independently, and businesses of all kinds – from recruiters and consultants to tech-driven freelance marketplaces – to get easy funding and cash flow to scale and grow.

Financial IT: Could you describe how investment has aided your business's growth?

Richard Prime: One of the core ways we benefit from investment is that it helps us to lend more to customers and grow our business. In 2021, we funded a total of £700 million to our customers, a 58% increase on 2020. We expect this growth to continue, and to hit £3 billion of total funding by the end of this year.

We have also significantly increased our customer base, and onboarded over 500 new clients, including a record number of enterprise customers. Our client base is becoming more diverse too – both in terms of sector and geography. We are working with organisations in more than 40 countries and many that are outside the recruitment space, including consultancies, marketplaces, and other fintech labor market vendors.

Investment also allows us to grow and enhance our tech capabilities. We have just launched our new enterprise-grade invoice platform that has been designed and built specifically for enterprise size recruitment firms.

Financial IT: How can Sonovate assist its clients to overcome the obstacles posed by the recent crisis?

Richard Prime: As we all know, Covid-19 caused changes on a global scale. While there were many, many downsides, one of the silver linings was the shift in the way we work and many highly skilled individuals embraced flexible, freelance and contract work. As a result, there emerged a need for businesses to adapt to these more flexible work arrangements, particularly for freelance and contract work.

As a result, our clients' requirements have become more sophisticated. They are looking for greater flexibility in managing their funding requirements and facilitating cashflow so they can focus on running their businesses. With an emphasis on flexible finance, a platform such as ours can onboard individuals far faster than traditional methods, significantly reducing levels of uncertainty in terms of financial flows.

Another important consideration is straight-line debt management. The fintech community is striving for open banking, open finance, open data, and the opportunity to embed their financial services, including lending, which is a part of what we do.

Financial IT: What is next for Sonovate?

Richard Prime: Since the start of 2021, we have closed a new deal with a business customer almost every single working day – helping hundreds more companies across Europe, Asia and the US to pay their people on time, every time. Already, 30,000 people in more than 40 countries are now paid by borrowers using Sonovate finance.

We are on track to continue growing and serving more customers across the globe, driven by the mass shift in worker habits that I mentioned earlier. Our team will expand to support this customer growth – in the financial year 2021 alone, Sonovate grew to 136 staff from 95 and the focus on hiring will continue throughout 2022.

In summer 2021, the UK government predicted Sonovate to be Wales's first fintech unicorn – it's an exciting time!

sonovate

Charles Delingpole,
Founder and CEO,
ComplyAdvantage

CRYPTO AND COMPLIANCE

An Interview with Charles Delingpole, Founder and CEO, ComplyAdvantage

As cryptocurrencies become increasingly mainstream, regulators, the media and policymakers are paying more attention to the financial crime risks associated with them. But what are the biggest compliance challenges crypto firms face, and what does a best practice AML program look like?

We explore in this interview with Charles Delingpole, Founder and CEO of financial crime risk detection firm ComplyAdvantage. The company works with more than 500 companies across 75 countries, identifying tens of thousands of risk events from millions of structured and unstructured data points every single day.

Financial IT: What are the foundations of a strong AML program for crypto firms?

Charles Delingpole: Many of the best practices around anti-money laundering (AML) crypto compliance are consistent with those in other financial services firms. A risk-based approach remains central, and a comprehensive risk assessment is the foundational step in this process. Revisiting risk assessments periodically is also critical – especially considering the current rate of regulatory change.

One issue where the compliance challenges are arguably greater for crypto firms is personnel. Many experienced compliance professionals have higher salary expectations than smaller, fast-growing crypto firms can support, and lack the structure and processes offered by bigger organizations. In addition, our State of Financial Crime 2022 survey showed that, while most compliance teams sought to hire from banking, regulatory and FinTech backgrounds, 68% of crypto exchanges cited other crypto firms as their preferred hiring background. This could create limitations. Not only will the hiring pool be limited, but firms will risk a “group think” approach. Well-rounded compliance teams draw on a range of perspectives.

Of course, technology decisions are also among the most critical, and do not come with a set of “one size fits all” answers. Do firms build in-house, or outsource to specialist providers? Mindful of the importance of automation for sustaining rapid growth, many crypto firms opt to outsource. Specific areas where specialist expertise is beneficial include onboarding and identity verification, customer screening and monitoring and transaction risk management. Firms that scale rapidly without automated screening and monitoring tools face a number of risks, including onboarding customers without completing adequate diligence, and high volumes of alerts that must be remediated manually. Ultimately, such lapses will be noticed by regulatory authorities.

Financial IT: What are the risks of non-compliance with AML regulations?

Charles Delingpole: Non-compliance with anti-money laundering regulations

COMPLY ADVANTAGE

presents a number of significant risks for crypto firms. The exact nature of these will depend on the violation in question and the firm's business model.

Facilitating sanctions evasion is one major risk – particularly through decentralized exchanges (DEX) and decentralized finance (DeFi) platforms. Analysts have shown, for example, that bitcoin has been used to evade sanctions on Iran. While there isn't likely to be enough liquidity in the crypto market for Russia's government to successfully circumvent Western sanctions, we may still see sanctioned Russian actors attempt to use crypto to evade the sanctions.

Another threat is enabling the financing of terrorist groups. Governments operating in geopolitically sensitive climates – including in India – have argued this is the biggest financial crime risk related to crypto. As a result, firms should expect additional, more stringent terrorist financing measures where necessary. India's government, for example, recently investigated the use of crypto by the Al Qassam brigades, the military wing of Hamas.

Finally, firms should be mindful of layering. Criminals may seek to convert illicit fiat currency into crypto in order to disguise its origins. For example, the Financial Action Task Force (FATF) highlighted a case in which criminals stole KRW 400 million from victims in South Korea through phishing, before carrying out multiple high-value transactions to transfer the funds to a foreign crypto wallet. The funds were passed through 48 accounts in an attempt to disguise their origin.

Ultimately, the consequences of AML non-compliance for crypto firms themselves could include being denied a license to operate, forcing a firm to relocate or close.

Financial IT: Where can crypto firms expect to see big regulatory changes this year?

Charles Delingpole: Crypto AML regulations around the world diverge in many ways, and firms operating in multiple jurisdictions will need to understand the nuances of each market they operate in.

Europe can expect a significant amount of regulatory change this year.

For example, in the European Union (EU), crypto assets are currently regulated for AML/CFT under the 5th Anti-Money Laundering Directive, which brought into scope a requirement for crypto-to-fiat exchanges and custodial wallets to comply with the EU's AML/CFT framework. However, the EU has proposed a new legislative package that includes new measures for the crypto industry. The "new" 6th Money Laundering Directive covers licensing, regulation and supervision. It highlights that crypto asset service providers (CASPs) must be authorized in their home countries and lays out requirements for CASPs operating under the freedom to provide services in the EU. These CASPs, which are not established in, but offer services in, other EU countries, must appoint a contact person in-country and notify the supervisor. Group-wide policies and procedures must be developed to manage cross-border risks. And where an entity operates in multiple countries, the home country has responsibility for enforcing AML/CFT compliance breaches.

The UK government also has ambitious plans. The government has announced its intention to make the UK a global crypto asset technology hub. This includes bringing stablecoins in scope of legislation as a "recognized form of payment," developing a "financial market infrastructure sandbox" to support innovation, establishing a crypto asset engagement group and working to issue a non-fungible token.

Financial IT: How can firms get ahead of new regulations in their jurisdiction?

Charles Delingpole: The best thing firms can do to get ahead of the latest regulations is to conduct horizon scanning, mapping upcoming regulatory changes to compliance budgets ahead of time. This will ensure they have the right staff in place to cope with a large volume of new requirements.

Firms must also understand new requirements and their impact. This could require an incremental change to existing rules and controls, or the wholesale introduction of a new program in a new jurisdiction.

Staying ahead of AML compliance requirements also means investing the time in dialogues with local regulators. One effective way to do this is by contributing to regulatory consultations. This helps to ensure new regulations are built with the realities of operating a crypto firm in mind.

Financial IT: Are there any emerging threats crypto compliance teams should be aware of?

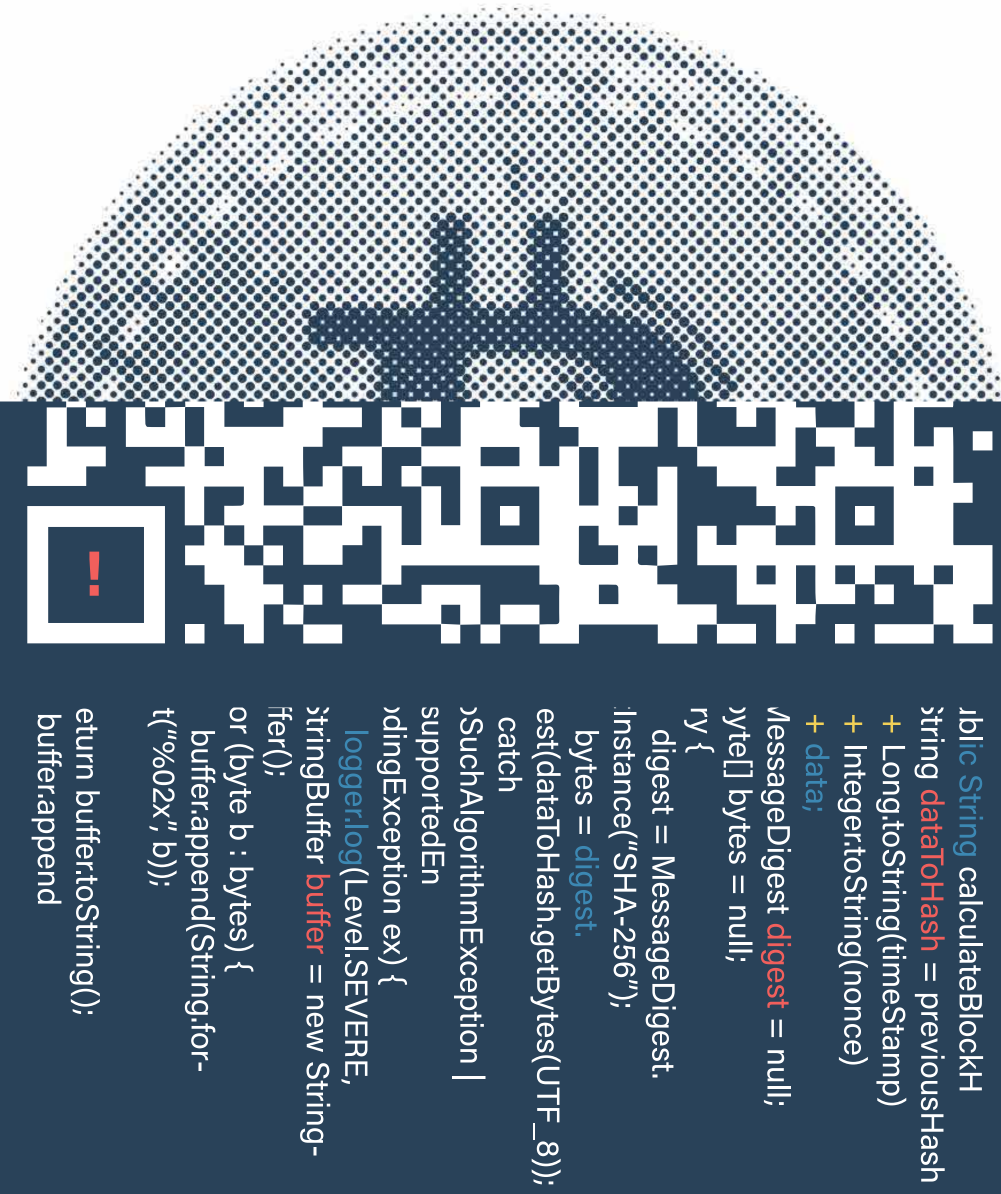
Charles Delingpole: Ransomware is one of the biggest emerging threats, and regulators around the world are exploring how to tighten controls to tackle this problem. While some targets have been high-profile, such as the San Francisco 49ers and Nvidia Corporation in February 2022 and Samsung, Microsoft, Bridgestone and Toyota in March 2022, cyberattackers are hitting smaller targets as well. School districts, hospitals and health care companies, financial institutions and other entities involved in critical infrastructure projects are among those most at risk of coming under attack.

Another threat is darknet markets. These global online marketplaces enable buyers and sellers of illicit drugs, identity information and other illegal goods and services to communicate and transact. The threat that bad actors will exploit crypto firms to facilitate trade in these marketplaces is particularly acute since participants often use virtual currencies as their preferred method of payment. Regulators are now using sanctions to try and take down these markets.

About Charles Delingpole
Charles is a technology entrepreneur, and the founder and CEO of ComplyAdvantage. He has extensive executive experience in financial services across the U.S., Europe, and Asia. Previously he was the Co-Founder and CEO of MarketFinance, a business finance company that has raised over $59m in funding. Before that, he was an investment banker at J.P. Morgan Cazenove. When he was 16, Charles founded the world's largest student discussion forum, The Student Room Group. Charles holds an MA in Politics from Trinity College Cambridge and an MSc in Management, Strategy, and Finance from the LSE.

Reduce Crypto AML Risks with Real-Time Screening and Automated Monitoring

Crypto assets, wallets, and exchanges face AML/CFT regulations worldwide. Our AI-driven solutions help crypto companies comply with regulatory expectations across various jurisdictions.



COMPLY ADVANTAGE®

Find out more at **complyadvantage.com/kyc-crypto**

WHY IS COLLABORATION KEY IN UNLOCKING THE FUTURE OF ISLAMIC FINANCE

www.ITS.ws

Interview with Esam Al Kheshnam, CEO of International Turnkey Systems (ITS) Group

Financial IT: What major factors are challenging today's banks in terms of Islamic Finance?

Esam Al Kheshnam: The Covid 19 pandemic has undoubtedly impacted the business world, bringing to the forefront the importance of technology in the workforce, and how it can bring about an adaptive change of great potential for business growth. When governments instated restrictions on in-person operations, businesses had to seek effective ways to continue to engage with clients remotely, resorting to creative digital solutions to maintain their services. Financial institutions and banks, in particular, have been forced to integrate digital approaches in their operations. ITS with its record of support for Islamic Finance organizations was well-positioned to accompany them in the digital transformation process that has become indispensable in the current digital age. This goes hand in hand with helping its clients to sustain their development and growth in a dynamic international environment through the delivery of its flexible services and solutions. Of course, the implementation of new services does not come without challenges and risks. Our ultimate goal is hence to provide our clients with modern, creative, and innovative digital solutions that can well equip them to mitigate business risks, improve performance, and ensure the efficiency of customer service.

It can be seen that the recent pandemic has accelerated the trend of digital transformation in the financial sector, perturbing traditional business models and altering the expectations of customers who now seek to conduct their transactions, anywhere, anytime, and from any device. With this in mind, ITS will continue to augment the digital services it offers to financial institutions and banks, and expand towards new services in the future.

Financial IT: Why is collaboration key in unlocking future potential growth for Islamic finance?

Esam Al Kheshnam: ITS is a leading provider of IT solutions for Islamic Finance institutions, its expanded services and solutions come in direct response to the growing need for digital transformation that banks are facing in this digital age. Particularly, banks are more and more resorting to digital solutions to switch to a paperless working environment, reduce business risks and increase efficiency by decreasing the time spent by staff on the execution of customer transactions. We at ITS are keen to offer our clients in the banking industry the digital solutions that not only build on the latest software but also that which is tailored to suit the nature of their digital transformation journey, in particular, with consideration to the needed Islamic Business offerings in full Sharia compliance. For example, ITS has helped BDL BANQUE, and Boubyan bank, in the deployment of the ETHIX Islamic banking solutions. With that, ITS has become a trusted partner to collaborate with and rely on throughout the digital transformation journey for Islamic Finance.

Financial IT: How is ITS helping the banks to address the rising challenges?

Esam Al Kheshnam: Since 1982, ITS has been offering Islamic banks a series of Sharia-compliant products and services. ITS's professional and experienced consultants have helped many financial institutions, and banks in deploying the Islamic services and solutions, covering branch operations, financing operations, trade finance, investment, treasury, and many more. With the implementation of ITS's leading product ETHIX-NG, banks will be able to adapt to any change in their business and will be provided with a Digital Print System that supports the branch sales and archiving units to deliver an efficient customer experience. ETHIX-NG supports a full-fledged digital bank concept, covers all business areas, and incorporates all digital trends such as but not limited to open Banking, API management, Web-based, SAAS, and digital channels. Institutions using this particular product will offer their customers a unique experience. We not only offer support for implementing ETHIX-NG but also ensure that our customers benefit from a remarkable streamlined digital journey starting with Digital Onboarding and up to the after-sales services all through digital channels. For all these mentioned reasons, ITS has been rewarded the most prestigious award for five consecutive years, GIFA.

Financial IT: What is next for ITS?

Esam Al Kheshnam: In the last four decades, Islamic banking has experienced considerable progress and it has grown into a globally recognized brand with a well-structured industry. Still, Islamic banking is not yet available in some countries, which have a large Muslim population, and in which there is an increase in the demand for Islamic Finance services. ITS sees a significant impact that it can make in this regard. With a well-designed and organized strategic vision, ITS is exploring new markets to expand its operations in, particularly through introducing and sustaining Islamic banks in new countries of interest. Of course, all the while, the company continues to work on augmenting its services and products with additional features to enhance functionality and to also increase its accessibility for clients from all around the globe.

Mr. Al Kheshnam is a distinguished industry veteran with a career that spans more than 27 years in the fields of information technology and software solutions. Prior to his appointment in February 2017 as the Chief Executive Officer of International Turnkey Systems Group (ITS), Al Kheshnam held numerous senior positions in the field. The most recent being head of the IT Strategic Planning Department at the Central Bank of Kuwait, where he worked closely with the nation's banks and financial institutions to elevate performance standards. During his career, Al Kheshnam has been credited with several notable achievements, including the innovation and management of several advanced IT solutions for numerous renowned regional and international companies.

As CEO of ITS, Al Kheshnam is defining a new vision for the Group as he further underscores the Company's position as a leading provider of quality IT solutions and services for the local, regional and international banking industry.

Al Kheshnam holds a Bachelor's degree in Computer Engineering from the US, and a credential in General Management from Harvard Business School.

WHY LEGACY PAYMENTS PLATFORMS SHOULD STAY IN THE PAST AND NOT UNDERPIN YOUR FUTURE

3 STICKING POINTS FOR FIS AND HOW TO SEE PAST THEM

The word legacy is definitively used in the payments world as a synonym for "old." We've been using it to describe payments platforms, systems and software for decades – typically referencing the monolithic mainframes built 60+ years ago that surprisingly often still underpin some of the largest banks today. Industry experts, vendors and FIs themselves have used a multitude of forums over the last twenty years or so to denounce the shelf-life of older platforms and their projected expiration dates in the modern payments world, yet legacy, in its many forms, still prevails.

A recent paper by PNR describes legacy as "a system that is business critical and demonstrates one or more of the following characteristics: old age, obsolete languages, poor documentation, inadequate data management, a degraded structure, limited support capability and capacity, increasing maintenance costs, and lacking the necessary architecture to evolve." In which case, we need to broaden the definition from antiquated mainframes to include systems originating from more recent eras, which, despite tangible advantages over their predecessors, are not "today-ready." After decades of underinvestment, even platforms born in the 90s can lack the manoeuvrability to ensure a successful future for an FIs business in an increasingly competitive and crowded marketplace.

It seems obvious to the outside eye that well-established payments players sitting on a patchwork quilt of legacy architecture – that has been continuously extended with new features and standalone solutions with interfaces into multiple systems, creating a tangle of dependencies with no clear structure – should want to get their house in order. And they do.

Platform vendors have unique insight into why FIs remain clamped to legacy, despite all the drawbacks, with their first-hand view of the trepidation FIs have when considering core system replacements. In excess of 45% of RFPs today result in the FI choosing to stay with their incumbent vendor; the three most common reasons cited being immediate financial cost, fear of migration and a lack of understanding of the options available to them.

The trend during the RFP process towards replacing like-for-like but just "newer" is rife, and the exploration of software and systems that can truly differentiate a business often falls into a battleground between the technology-focused and the business-focussed. Twinned with internal politics, red tape, approvals from boards often not involved in the day-to-day running of the FI, and decision makers with bonuses dependant on reducing spend, these conflictions often lead to the breakdown of the RFP and the decision to "look again" in a couple of years. This "not now" approach essentially removes any imminent business risk and cements the actual risk of maintaining aging platforms as a tech problem, not a business concern.

The reluctance to rebuild or replace this backbone architecture isn't unwarranted, it is a huge undertaking and there is always risk, no matter how mitigated. However, the scales are no longer balanced and doing nothing to temporarily appease boardroom politics will soon become an option that is fundamentally detrimental to any business looking to go the distance, be competitive and retain and grow market share.

Immediate financial cost

It is fundamental to look beyond initial cost and to focus on TCO rather than the initial purchase price. This investment is into the future of the business and is about overall business strategy and long-term value creation as much as it is about streamlining operational costs and system replacement.

Initial investment may seem substantial, however this will be offset with longer-term cost savings. The costs and risks of maintaining legacy infrastructures are growing exponentially. These costs continue to grow the longer they are left, as technologies become more obsolete and expensive to operate; with the very real problem of a dwindling pool of experts with both the institutional and technical know-

Bethan Cowper,
Vice President, Business & Market Development,
Compass Plus

how to support core systems. Attracting new talent becomes an impossible task with an IT environment unattractive to younger generations seeking out work with modern technologies.

Cost implications transcend day-to-day operations and workforce availability, into the complexity of making modifications, introducing new products and services to market, the time it takes to release new functionality, responding to market and customer needs, complexity of upgrades, the ability to remain competitive on cost, ensuring regulation and compliance, service delivery costs, optimisation, performance, flexibility, scalability and future-readiness.

Focussing only on the perceived cost of transition can be detrimental to any FI. Many concerns and fears can be alleviated by having a comprehensive modernisation strategy in place and by partnering with a vendor that can offer flexible pricing, various migration options and deployment models to suit an FIs requirements now and well into the future.

Fear of migration

The central position that legacy payments platforms have in the FIs overall architecture means that any change has an immediate and knock-on effect to all systems, operations and processes at play, with extensive dependencies and complexity. The more complex the legacy systems being replaced, the more complex the migration is anticipated; and the aversion to move away from these spaghetti systems increases.

Until recently, the only readily available option for system modernisation was total replacement; whether big bang or phased. However, with the increasing flexibility of options available in the market, this is no longer the case. Stepping away from the more typical solution of complete replacement or temporary solutions such as wraparounds, forward-thinking vendors can offer everything from integration hubs and system orchestration to cloud-deployments, hybrid deployment models and more. It is always worth seeking advice from an analyst firm or payments expert with a deep understanding of migration options, rather than falling into the trap of "doing things how they have always been done". Today, there are numerous approaches that can optimise modernisation whilst minimising disruption.

If further reassurance is required, FIs can ask vendors for examples of system migrations they have completed with cases similar to theirs, or from named incumbents, to highlight the main issues and how they were overcome in order to alleviate concerns.

Awareness of available options

It is too late, too complex and too risky to continue with IT modernisation strategies that rely on building on top of, integrating into and extending legacy platforms, systems and components. The emphasis can no longer be on "making it work for now" – FIs need to embrace transformation. The first step is being fully aware of all of the options out there.

Due to the aforementioned propensity to replace like-for-like, opportunities to truly apply a transformative strategic vision can often be missed. As payment platform deployment trends shift from in-house to outsourcing, from on the ground to in the cloud, FIs have multiple options available to them. These options, whether provided by a software license vendor or a processor, should enable FIs to scale up, scale down, bring components in-house and outsource others as required, and ultimately evolve their business in line with their own strategy rather than the capabilities and/or constraints of their provider.

Remaining relevant and having the underlying technology to ensure this relevancy is an intricate web of decision making, risk and responsibility. The future is unknown, and change without careful planning and an understanding of all the tools and options available can be expensive and risky. Is it any wonder that FIs are reluctant to change? When it comes down to it, committing to keeping spaghetti legacy systems alive is akin to buying a property and, over the years, extending it, adding floors, balconies, terraces, garages, conservatories, etc. The end result is a complex structure without the architect who drew up the original plans and no owner to organise the Frankenstein-esque structure it has become. By finally deciding to move away from legacy to modern architectures, FIs are laying the foundation for an environment that allows them to connect to anything, anywhere; ultimately ensuring their agility for whatever the future may bring.

Move forward, faster. Build for change.

Financial services companies are optimizing business processes, modernizing technology, and evolving to a more agile culture. With Red Hat, your organization can better manage technology complexity, reduce risk and maintain compliance with tools to innovate in a world of rapid change.

redhat.com/fsi

Hyland®

Jean Van Vuuren,
Associate Vice President – EMEA
Commercial, Hyland

HARNESSING HYPERAUTOMATION TO ACCELERATE CUSTOMER EXPERIENCE AND RESILIENCE

As legacy banks continue to grapple with low customer satisfaction ratings, has the time come to take a leaf out of the challenger banks' playbooks and embrace a greater degree of automation?

Automation has been a feature of banking since the days of punched cards, but there's significant scope to drive further cross-functional connectivity across most institutions. And the issues go beyond purely customer satisfaction. Productivity, organisational resilience, the rising cost and complexity of hiring qualified staff, and the inherent legacy system challenges all contribute to the customer satisfaction disparity.

Enter hyperautomation. Defined by Gartner as, "a business-driven, disciplined approach to rapidly identify, vet and automate as many businesses and IT processes as possible, [involving] the orchestrated use of multiple technologies, tools or platforms", hyperautomation may provide an answer to some of the issues facing banks.

The strategy enables organisations to automate the entire end-to-end workflow of a process, which could be a force multiplier for organisations. However, a recurring question is whether automation will give people the satisfaction of deriving more value from the work they do, since the very idea of value-based work is fundamentally shifting?

One unexpected consequence of the pandemic is that it has become a catalyst for digital transformation. Businesses, including financial institutions, have seized the opportunity to automate a wide range of time-consuming, repetitive tasks, giving people more time to focus on higher priority initiatives.

Reimagining automation

Banks looking to increase customer satisfaction and staff retention could do well by analysing internal processes. Employers not offering the conditions, tools, support or job satisfaction that employees now expect, are finding it increasingly challenging to recruit or retain the quality workers they need. Here again, hyperautomation has a role to play, enabling employers to create more attractive workplaces by removing the dull, unfulfilling activities that blight many people's working day.

In human resources (HR), for example, the recording and administration of working times and absences, and payroll accounting– including the deduction of taxes– are examples of time consuming and monotonous such activities. With the advent of robotic process automation (RPA), automation of recurring tasks– high on accuracy and low on time consumption– has led to greater efficiencies and created more productive workplaces.

When combined with artificial intelligence (AI) and machine learning (ML), departments can not only achieve efficiency by automaking tasks, but also drive structure around previously unstructured content.

By eliminating delays from incomplete processing and reducing the need for manual handling and the resultant errors, hyperautomation ultimately improves the customer experience lifecycle, ensuring customers are and remain happy in every interaction.

Since hyperautomation is fundamentally about seamlessly connecting standalone technologies and legacy tools to create new end-to-end workflows that deliver significantly greater efficiency, it seems natural that more and more banks will lean into the idea of automation as its pros far outweigh the cons.

Underpinning organisational resilience

The key to building future-ready organisations is to understand how value can be created in the work we do, since people's expectations are constantly changing. It also requires a deep understanding of the underlying challenges and the ability to envision a future where technology and humans coexist meaningfully. After all, technology and people have always complemented each other and hyperautomation is just one further step in that direction.

So where do you start with hyperautomation?

As a first step, organisations need to understand the specific issues they are looking to address. That means performing a business-wide analysis, to identify the component parts of every stage of a workflow. Once completed, the process of determining how the gaps between currently isolated 'islands' of task automation can be bridged, with the adoption of a hyperautomation strategy, and to identify the KPIs that need to be met.

Once the workflow is mapped, this also offers an opportunity to derive insights that feed your digitisation and automation strategy, which are aligned to your organisation's overarching business objectives. Consider what new tools you will need, then identify expert solution providers who understand your specific requirements and can execute and implement your strategy.

Of course, it goes without saying that responsibility lies with each organisation to ensure there is sufficient interoperability between the different platforms, tools and technologies being proposed. As well as AI, ML and RPA, these can include event-driven software architecture, business process management (BPM) and the integration of platform as a service (iPaaS) solutions, along with other decision processing and task automation options. AI-powered tools have highly developed capabilities to uncover actionable insights from data, allowing companies to become better at what they do.

From a banking perspective, many of these technologies exist within the organisations, but often as stand-alone tools.

Engagement

A critical factor when you develop your hyperautomation strategy is to involve employees during the planning and transformation rollout. Open communication is a demonstration of your intent and will give employees an assurance of how their workflow is going to change for the better and result in greater engagement in the workplace.

In response to the current shortage of software developers, IT departments are also increasingly championing the adoption of no and low-code software, which enables others in the organisation to independently create the applications they need.

It is important to recognise that implementing technology improvements is only one aspect of hyperautomation. Employees themselves must be brought up to speed to become far more data literate. That's essential, as the winners in our new business landscape will be the ones better able to turn raw data into deep, insightful knowledge.

Hyperautomation can elevate the workplace from monotonous, to purposeful and engaging. This means humans can focus on tasks that require human touch and attention, unlock their creative potential and improve collaboration. From the perspective of tomorrow's customers, the heightened engagement will become a catalyst for enhanced customer experience and lifetime value.

ACHIEVING ISO 27001 SENDS MORE THAN JUST A COMPLIANCE MESSAGE

Ralf Gladis,
CEO,
Computop

The protection of sensitive customer data is a topic of key concern to all banks and financial services companies and is integral to their digital transformation projects. Despite this, however, ISO 27001, the auditable international standard relating to information risks, represents unchartered territory for many financial organisations, not least payment processing providers.

ISO 27001 defines the requirements of an information security management system (ISMS), incorporating policies, procedures, processes and systems that help to oversee risks relating to information assets such as cyber-attacks, hacking attempts and data theft. While some organisations adopt the standard as a framework for best practice without choosing to be certified, others put in place and document those processes and policies that contribute to information security so that they can be certified. It is a considerable undertaking, but it is also vitally important.

Last year we elected to be certified according to ISO 27001- one of very few payment service providers in Europe to achieve this – because we felt that it fully addresses one of the most important aspects of financial transactions – secure data exchange.

Sensitive data under threat

The global pandemic has accelerated the already severe threat to data security, and it is the financial sector that has borne the brunt of the attacks. According to a report published last September, the banking industry experienced a 1,318% year-on-year increase in ransomware demands in the first half of 2021, and was the industry most affected by this form of attack. Given that figures suggest the average cost of a data breach in the financial sector in 2021 was $5.72 million, it is imperative for organisations to do everything they can to protect sensitive data.

This was topmost in our minds when we started the process of certification. It is incumbent on any payment processing provider to operate at the highest possible security level, but by achieving ISO 27001, we would also be demonstrating our commitment to quality as a service provider to our many banking partners.

The 114 standards that need to be adhered to as part of gaining certification might look, at first glance, like a high mountain to climb. However, if an organisation is already working towards the delivery of secure protocols for financial transactions, or if they adhere to PCI-DSS regulations for processing credit cards, they are already on the road to ISO 27001 compliance.

The benefits of certification

Implementing the measures within the scope of ISO 27001 certification automatically increases data security, but there is also the added benefit of reducing the effort required during security audits. During a tendering process, for example, questions relating to hardware and software processes are becoming more and more frequent, and the emphasis on data security is increasingly intense, but this is relieved if a company already has ISO 27001 certification. The most common standards required during tenders are proven during the testing process for the certificate and are considerably more stringent than the annual PCI-DSS audit that credit card companies require of their data processors.

Computop

For payment service providers there is also another layer that can be satisfied through ISO 27001 certification. If the PSP is a white-label provider, or essential outsource, for a financial services company, they will be required by MA Risk and EBA guidelines, to prove the PSPs compliance with common standards. With ISO 27001 in place, this is considerably easier to achieve than the alternative of an in-house audit.

What's it all about?

At its core, ISO 27001 addresses each of the three pillars of information security: people, processes and technology. It requires organisations to identify the information security risks inherent in their business operation and put in place appropriate controls to tackle those risks.

In our case, based on the 114 standards of the certificate, we implemented a range of measures that included management, employees, data centres and external service providers. For other PSPs or for banks, the measures may be different depending on their priorities and areas of risk. Other examples that might need to be considered include human resource security, asset management, physical and environmental security, and system acquisition, development and maintenance. There is no requirement for organisations to implement all 114 of the standard's controls.

A mark of achievement

In today's ultra-competitive world, anything that marks an organisation out for quality will increase its standing with customers. In our case retail companies across Europe can now be confident that their faith in our seamless IT security and secure administrative processes has been further bolstered by positive assessments under ISO 27001 and will be stringently audited on a regular basis. From the confidentiality classification of documents to data protection training for new employees, our processes have been examined and optimised as part of the certification process, with our team investing around 300 man-days in ensuring that we met the criteria for success.

However, regardless of whether the organisation is a PSP, a bank or an insurance company, working towards such certification is not a one-off task that can be ticked off when the certificate is obtained. A key component of the ISO 27001 regulations is the willingness of the company and its core team to engage in a continuous improvement process. This ensures that it is not only protected against current cyber security threats, but also has the necessary processes and tools in place to identify new threat scenarios at an early stage and respond in a timely manner.

It is an effort worth making. In a world threatened constantly by new and insidious forms of cyber-attack, and our reliance on digital technology growing greater by the day, compliance and regulation are essential. While ISO 27001 is not a security solution in itself, it encourages companies to adopt stringent behaviours and processes that reduce the risk of attack. It also demonstrates the effort that a company will go to in order to ensure it takes the security of its own and its customers' data seriously, and this is a crucial message to send to the outside world.

Ruben Salazar Genovez,
Global Head,
Visa Direct

HOW VISA DIRECT IS HELPING PAVE THE WAY FOR THE FUTURE OF GLOBAL MONEY MOVEMENT

For over sixty years, Visa has successfully built a payment network that has been digitizing payments for individuals, businesses and governments around the world. In FY 2021, we processed more than 10.4 trillion dollars in payment volume[1]. We continue to partner with FinTechs and solution partners to bring innovative global money movement solutions to market. We connected 3.7 billion cards, more than 100 million merchants[5], and 15,100 financial institutions[1]. As a world leader in digital payments working with key players in the industry along with other payment networks, Visa continues to displace cash and accelerate commerce around the world.

Dee Hock and all the Visa pioneers to follow in his footsteps, declared that the company's mission is to create a ubiquitous network to digitize currency and reduce the reliance on cash within the global payments ecosystem; that's as true now as it was 60 years ago.

As commerce evolves, Visa continues to innovate to help accelerate the speed, resilience, and security of digital payments. Visa Direct is one important element of how we are helping shape the future of money. Visa has been diligently building our real-time[2] money movement solution to participate in transactions across multiple use cases, such as person-to-person and account-to-account transfer of funds, business payouts to individuals and small businesses, merchant settlements, and refunds[4]. In FY 2021, Visa Direct processed more than 5 billion transactions across 500 programs with nearly 550 enablement partners, reaching consumers and businesses in more than 180 countries[3].

Global money movement requires a network that is nonstop

We are excited about the possibilities we can unlock with Visa Direct as we help connect businesses and consumers around the world with vast scale, security, efficiency, and speed with innovation that's nonstop – all through a single point of connection.

Scalability matters

Today, Visa Direct serves as a vast money movement network with more than 5 billion end points combining cards and accounts. With the launch of Visa Direct Payouts , Visa now has access to 66 ACHs, 7 RTPs and 5 payment gateways around the world[4]. Visa also operates a Push Payment Gateway, expanding the network to eligible non-Visa cards for disbursement purposes, while providing added convenience and simplicity from a single integration.

The next generation of money movement starts now

To accelerate widespread adoption and usage, Visa is simplifying the global connection to the Visa Direct network with the introduction of a single API, which reaches eligible cards and accounts, enabling quick and convenient funds transfers for individuals and small businesses. We also continuously look to add new endpoints, such as wallets and crypto partners, to expand the reach of Visa Direct in the future.

For example, actively developing the ability to land transactions directly in mobile wallet is relevant for countries with large unbanked populations. Visa Direct's ability to send to card, send to account, or eventually send to wallet – under a single connection – can help accelerate time to market for our clients and partners around the world.

The winners are consumers and SMBs

A robust money movement network helps empower people and businesses to pay and get paid, and to send and receive money around the world. The potential to reduce payment friction and reach bank accounts or cards in more than 180 countries via an expansive global network, is helping unlock a future of nonstop potential.

Ruben Salazar Genovez is the Global Head of Visa Direct, a real-time push payments platform and one of the fastest growing products within the Visa portfolio. In his current role, Ruben is responsible for expanding Visa's global money movement capabilities beyond the card for Visa Direct. He also leads Yellowpepper, part of the Visa Direct portfolio of solutions that helps facilitate global money movement. Prior to this role, Ruben was Senior Vice President of Products, Processing & Innovation for Visa Latin America & the Caribbean, where he headed Visa's portfolio of core products, digital platforms, and innovation centers in the region. During his tenure in this position, he helped transform the way Visa designs and deploys payments innovation throughout the LAC region. Prior to that role, he served as Head of Product Design & Development for Visa Asia Pacific (Singapore) where he was responsible for the integration of new digital capabilities with core payments platforms. He led the delivery of a pipeline of product enhancements, go-to-market plans, segment solutions and consumer experiences to support issuers and partners in securing revenue growth. Ruben launched his financial services career at Citigroup, Latin America, where for almost 10 years he held various positions including card business management, business development for the Diners Club franchise, partnership and alliances, cobrands, marketing and general management. He also spent three years at Barclays – Barclaycard Iberia, where he was instrumental in managing business development, leading M&A initiatives, and reshaping the card business during the Western Europe economy downturn. He also completed a stint with Asia Pacific Middle East & Africa for Mastercard Worldwide, where he was responsible for consumer credit products.

Ruben currently serves as an Advisory Board Member for Florida International University's (FIU) Chapman Graduate School of Business. His past board experience includes serving on the Board of Directors for several organizations, including the Miami chapter of UNA-USA Young Professionals for International Cooperation, ServiRed Sociedad Española de Medios de Pago, S.A, Novopayment Inc. and Yellowpepper.

1 Visa Annual Report 2021
2 Actual fund availability varies by receiving financial institution, receiving account type, region, and whether transaction is domestic or cross-border
3 Visa FY21 Q4 Earnings
4 Use cases are for illustrative purposes only. Program providers are responsible for their programs and compliance with any applicable laws and regulations
5 Visa Annual Report 2021
6 Data provided to Visa by acquiring institutions and other third parties as of September 30, 2021. Data includes an estimate of small businesses that utilize payment facilitators as of September 30, 2021

Alan Campbell,
Senior Director & General Manager, UK & Ireland, Nutanix

THE FUTURE OF WORK LOOKS NOTHING LIKE THE PAST

Until quite recently, for most of us, work had changed remarkably little over the years. Owners operated a reward system based on an expectation of mostly fixed hours and amount of work completed. It's only with the advent of technology that remote working, flexible hours and location-independence have become mainstream. We have moved away from a modern assumption of five days per week, nine-to-five or similar, despite the travel and family-life hassles that this imperfect model involves. But, with cloud now becoming the underlying universal technology platform, we can start to think about re-imagining what a new and improved working model looks like.

I say 'start' but, really, it's already happening. Technology companies, for example, are exiting Silicon Valley, San Francisco and the Bay Area and often not even bothering to maintain a full office suite. They've learned that they can do without the cost and bother of insisting highly intelligent and skilled staff meet in one place at specified times. Instead, they're rejoicing in the ability to hire from any location in the world and seeing productivity and job satisfaction increase. This phenomenon is being mirrored in service industries the world over and in other sectors that today often prefer to hire via a contractor model aligned with the Gig Economy.

'Office huggers' (people who insist on the primacy of critical locations and arcane processes) still exist of course. They argue that formal workplaces bring discipline, esprit de corps, creativity and collaboration. With reason, they add that many of us don't wish to work from home or another space. 'Going to work' equals inspiration, camaraderie, learning by osmosis and is a great way to onboard staff and newcomers to the working world, they argue.

That's a very defensible position but then few organisations, outside of startups and boutique operations, are pushing the button on a laissez-faire approach that gives people carte blanche to set their own parameters. Rather, what we are seeing is a shift to new working schedules, frameworks and processes that will be analysed on a trial-and-error basis. The future is surely hybrid: there are often very good reasons for meeting colleagues and sharing a common space, but not making that the only way to work brings flexibility, the chance to perform other tasks and learn other things, more time spent with loved ones and a sense of freedom that is liberating and healthy for our spirit.

It's also fun to speculate about what work looks like further out. Already, many countries are offering preferential taxation terms for digital nomads, extending the prospect of a future where we work from sunny climes and the after-work pint in the pub is replaced by a sundowner on the beach. Having become accustomed to Zoom and Microsoft Teams, online meetings providers are looking into replacing our 2D grids with 3D, avatars and a simulacrum of the real world. Perhaps we will change the old paradigms and work shorter weeks, as some companies are using to lure prospective employees. In a world where hiring and retaining talent is critical, there may be other attractions: early retirement, career breaks, regular retraining and so on.

What we can say is that there are positives to be gleaned. Old Work was dirty and not sustainable but New Work can be better. Today, smart, progressive organisations are thinking afresh about what office spaces mean. They are pondering whether offices are not so much central hubs where drudges congregate and demonstrate presenteeism as places to meet, celebrate, share, ideate, brainstorm and spark off innovation. This will mean the phasing out of fixed desks, desktop PCs and phone lines and usher in the dominance of more open-plan spaces with bump zones: architecturally designed spots such as stairwells and water cooler or kitchen areas for spontaneous meetings. Zones will be set aside for conferencing, whiteboarding and socialising and workplaces will look more like clubs than hives for human beings.

There are big implications for how we manage ICT here. An example: delivering end-user computing via server-based control, virtual desktops and thin client endpoints can be a far more flexible and greener model than the general distribution of laptop or desktop PCs. And of course, the effect of reduced commuting will also save on fuel, congestion and emissions. So, there is a double advantage to be had, consisting of a simpler and more efficient IT setup and a kinder, more sustainable model too.

Some companies such as South Africa's largest bank, Nedbank, are bolder than others. Nedbank said early this year that it was going all in on a radical new cloud-based approach designed to cope with changing bandwidth needs such as low-latency remote worker provision. It's aim: to provide employees and a 2,000-strong developer function in India with a "superior service" and a "win-win" for staff and customers too.

Nedbank represents a future where flexibility, rapid service, reliability, performance, low-carbon footprints and utility-based billing are central. In ICT terms, that means a hybrid approach where users are served across a gamut of models and IT can centrally provision based on changing needs and without compromises to data protection or quality of service. It will be scalable, re-stackable, time-saving and cost-effective with the ability to add and subtract devices easily. A Forrester survey reported that a life sciences company saw a 90 per cent reduction in time to provision devices.

As we consider the future of work, the subject of 'where' remains front of mind. However, when imagining the future, it would be remiss to not also consider the 'how' and the 'why'. Artificial intelligence and chatbots are now interwoven into many everyday jobs, the increasing use of automation undoubtedly impacts the content and scope of our work and the possibilities emerging thanks to human-machine partnerships seem endless.

This, I bet, is the future: a world where we work in ways that are most effective and kinder to the environment and to human needs and where technology supports smarter ways to get the job done. There will be bumps along the way, but we will get there.

NUTANIX

Mark Barnett,
President of Mastercard in Europe

WHY COLLABORATION IS KEY TO EVOLVE EUROPE INTO GLOBAL TECHNOLOGY LEADER

Following a monumental 2021 for European technology – in which the region's start-up scene raised a record-breaking €100,1 billion in funding and grew faster than those in China and the US – the momentum has continued in the first quarter of 2022. Over €27,5 billion was raised in the first quarter of the year – a rise of over 25% from Q1 2021 – with the UK, France, and Ireland standing out for year-on-year growth.

For Europe, these are positive steps towards its ambition for the year: to consolidate itself as a global technology leader. As the region's promise continues to rise – and financial backing follows suit – the challenge facing the region is to show maturity and demonstrate why it must be spoken about alongside its global counterparts.

This will only prove possible via collaboration that transcends industrial and international borders, an ethos which lies at the core of our approach towards tech at Mastercard.

Facilitating next-gen payments through partnership

Few can contest that fintechs have dominated the tech start-up sector in recent years. Last year European fintechs raised more than the continent's whole tech scene did in any year up until 2018. In Q1 this year, the amount raised by fintechs (€7,97 billion) was more than €5 billion higher than the next highest sector, healthcare. Fintechs are running their own race.

Yet – while a positive indication of investor confidence in the region's fintechs – Europe still homes only 7.2% of the world's fintech unicorns. We must continue to work cohesively to drive world-class innovation and develop a regional voice that can lead the fintech sector on a global level.

We appreciate our role as a leader in making this a reality and are proud to be a uniting force between the new and established players in the European fintech scene. Through the power of partnership, we continue evolving our support portfolio to drive trust, innovation, and inclusion that will form the bedrock of Europe's global fintech status for years to come.

We have recently launched Mastercard Developers – a portfolio of solutions, programs and insights – to enable European fintechs to build, launch and grow in a collaborative environment. It marks our technology-led and developer-centric approach to partnerships in the space and goes beyond end-user fintech, given the growth of enablers in recent years.

This new platform builds on the ongoing commitment we made with Fintech Express – our programme designed to facilitate the launch of emerging fintechs through partnership – in 2021. We welcomed B4B Payments, CleverCards, and HUBUC as strategic partners to the Fintech Express last year and will continue to expand the programme under the umbrella of Mastercard Developers in 2022.

Progressing open banking to empower consumers with their data

Businesses and consumers continue to expect more choice in how they make transactions, store value, and use their data. This, among other reasons, has contributed to the development of open banking into a global phenomenon. Considered a solution born in Europe – more specifically from the EU's PSD2 regulation – the evolution of open banking is driven by the continent's leadership.

In 2021, European adoption of open banking accelerated at an exceptional pace. Our open banking tracker for Europe – produced in in collaboration with Konsentus – revealed that the total number of third-party providers at the end of 2021 was 529, an overall increase of 79 representing a 17.5% year-on-year increase. There is notable momentum in Lithuania, which is now the country with the fifth highest number of home third-party registrations (26) behind the UK, Germany, Sweden, and France.

Our 'Open Banking Readiness Index: The Future of Open Banking in Europe' report – released in June 2021 – also shone a light on the Nordics, with Denmark, Norway and Sweden named as the countries best-placed to take advantage of open banking technology in the near future. This performance owed largely to the pan-Nordic collaborative models and P27 initiative that will aid the region's open banking readiness.

Denmark was also the home of one of our most significant open banking acquisitions to-date – leading open banking platform Aiia – that will anchor our European open banking efforts and enable us to provide businesses and consumers with the option to use their own data simply, securely and quickly.

Supporting the digital journey for Europe's SMEs

Finally, it would be remiss to bypass the historic digital journey embarked on by Europe's SMEs over the course of the last two years. SMEs remain the backbone of the region's economy, representing 99% of all business in the EU, accounting for over half of its GDP, and employing around 100 million people, according to the European Commission.

As such, the resilience and adaptability of SMEs in the transition to digital is of existential importance to Europe. Global organisations, such as ours, hold a responsibility to help SMEs navigate this journey throughout ongoing economic turbulence that has already pushed many small businesses to the brink.

Recognising this, we continue to invest in solutions to help European SMEs transform digitally with the view to supporting the wider regional ecosystem. We launched our global small business initiative – Strive – last year and committed to supporting five million SMEs on their digitisation journey. The launch of Strive – that will initially focus on France, Spain, and the UK in Europe – came with the goal of bringing 1 billion people and 50 million micro and small businesses into the digital economy by 2025.

As European technology continues to evolve at pace, it is important that organisations big and small collaborate to build a network to drive innovation and progress. I'm proud of the work we have done to-date to foster new partnerships and support Europe's brightest minds to turn bold ideas into realities. We are all excited to see what comes next and will continue to offer more choice to our customers and shape an inclusive, sustainable, and secure future for European payments.

mastercard

Aaron Holmes,
Founder and CEO, Kani Payments

WHY YOUR DATA IS THE BEST WEAPON TO FIGHT FRAUD

The ecommerce explosion is driving a surge in transaction data volumes – and this is only going to get bigger. The amount of data created soared from 1.2 trillion gigabytes to 59 trillion gigabytes just between 2010 and 2020, almost 5,000% growth.

Many companies have the mistaken view that the more data they have, the more useful it is. But from a security perspective, more data points mean more potential targets for fraudsters to attack. In 2021, an estimated $20 billion was lost to online ecommerce fraud, a rise of 18% from 2020.

Weak Data Security Can Threaten Business Survival

Weak data security causes huge and sometimes irreparable damage to customer trust. The time and cost involved in strengthening defences following fraud can place businesses under unbearable strain, in addition to the severe fines imposed by regulators for data breaches and non-compliance.

The General Data Protection Regulation (GDPR), and the Payment Card Industry Data Security Standard (PCI DSS) are the main data security and storage regulations that fintechs need to be mindful of, in addition to the fraud-related rules laid down by payment schemes. Sensitive transaction and customer data needs to be protected, but at the same time, it needs to be safely accessible and accurate to generate business insights and future growth. But balancing data security, integrity, and availability is not easy.

Filling the Gaps in Data Storage and Security

Fintechs can strengthen data security, plug gaps where fraudsters are trying to enter, and ensure regulatory compliance by minimising the amount of transactional payments data they hold.

By knowing where their data lives, firms can identify what information needs safeguarding, and what needs purging when required. This is especially relevant when mergers and acquisitions bring different company systems together, leading to data being duplicated, and other datasets made redundant – or worse, left unprotected altogether.

Put simply, if data doesn't exist in your systems, it can't be exposed or compromised. Filtering out the old and unnecessary will significantly reduce the risk of fraud, and help to improve audit trails.

Optimised Reporting and Reconciliation

With data volumes rising so quickly, it's just not possible to manually review all data items and identify reconciliation breaks, or potential fraud-related anomalies.

By automating reporting and reconciliation, businesses can ingest data from many sources, and aggregate and itemise transaction data when required. This reduces manual errors, and enables fintechs to hunt down potential fraud incidents much more rapidly than before, without the need for manual investigation.

Kani Payments' core data reporting and reconciliation platform is PCI-DSS compliant, and all the data that goes into it is tokenised, so sensitive information is not stored. 2022 will see us introduce transaction monitoring and risk scoring transactions to our models to give our clients even more powerful fintech reporting and fraud detection capabilities.

Dynamic Data Reporting and Reconciliation Can Elevate Fintechs to the Next Level

Data security and fraud protection are business-critical functions that need continuous monitoring to ensure they can deal with evolving threats.

By aligning fraud prevention with enhanced data reporting and reconciliation synergies, businesses will gain the ability to future-proof themselves against emerging fraud threats. Next-generation data reporting and reconciliation technology, combined with first-class support, empowers fintechs to reach new heights of success.

kani

Established in 2018 in Newcastle, UK, Kani Payments is a reconciliation and reporting platform specifically designed to reduce complexity for financial services businesses.
Named 'Europe's Leading Financial Services or Payments Start-up' by the Emerging Payments Association in 2019, Kani's clients include fintechs, challenger banks, established banks, electronic money issuers, and gift card providers.
For more information, please visit: https://kanipayments.com/

About Aaron Holmes:

Previously CIO at Global Processing Services (GPS), the inspiring Aaron Holmes has led his company to become one of the North East's most exciting fintech prospects. Kani is the fintech for fintechs, trailblazing a one-of-a-kind solution to an age-old problem and hopes to become the go-to back-office solution for the fintech and payments industry, globally.

THE TOP FOUR PAYMENTS TRENDS MERCHANTS NEED TO BE AWARE OF

Harshna Cayley,
Head of Online Payments, Barclaycard Payments

Harshna Cayley, MD, Head of Online Payments at Barclaycard Payments. Harshna leads the vision, the strategy and execution of Barclaycard Payments' Gateway products and solutions – the technology used by our customers to take payments online, instore, and via omnichannel. Reporting directly into Rob Cameron, CEO, Barclaycard Payments, she is a member of the Payments Executive Committee.

Previously, Harshna worked at Worldpay, where she was SVP, Head of Gateway Product, responsible for driving the unified vision for Worldpay's Gateway and revenue optimisation products, leading a global team spanning the UK, US and India. Additional roles include senior positions at the International Airline Group (IAG) and Visa Europe. Harshna has around 20 years' experience in Financial Services, Retail, Loyalty and FMCG.

The last two years have fostered an incredible evolution of the digital payments landscape, largely driven by the Covid-19 pandemic. As the UK economy moves on from the events of the last two years, it's apparent that consumers now expect greater ease and choice from their payment options. Exacerbated by lockdowns and changing restrictions, the way customers shop, and pay has changed for good.

Alongside this, consumers are now faced with rising costs and inflation, so it is crucial for merchants to recognise their customers' needs and optimise their experiences more than ever before. Offering the right payment options is a crucial part of this.

To help, Barclaycard Payments has launched a new report that uncovers the latest trends in payments and ways in which businesses can harness them.

Here are four ways that can help merchants level up their payment infrastructures and navigate the constantly evolving digital payments landscape.

1. *Offer an omni-channel experience*

To meet consumer demands, merchants must offer their customers multiple channels through which to do business with them, along with ways to pay that are easy to use, reliable and secure, to create a compelling customer experience.

Providing an omni-channel experience for customers essentially combines the highlights of face-to-face shopping with the ease and convenience of ecommerce.

2. *Apple at the core of digital wallets growth*

There are many different digital payment options – but our merchant research shows that Apple Pay is the fastest-growing, with high acceptance among both corporates and SMEs. Nearly three fifths (56 per cent) of corporates now accept Apple Pay, up from 42 per cent in 2020.

According to the Barclaycard Payments report, close to half of businesses now receive over 30 per cent of their takings through digital wallet payments. For one in seven, this rises to over 40 per cent of takings. Other exciting digital payment methods are on the horizon too, including virtual cards. Juniper research predicts that digital card transactions will increase by 370 per cent globally in five years due to their simplicity, so it's worth that merchants who don't already accept digital payments bear this in mind when reviewing their payment options.

3. *Strong Customer Authentication*

New mandatory Strong Customer Authentication (SCA) regulations were introduced in March this year, which means that all online transactions over £25 are now subject to additional identity checks to help combat fraud. On the 14th April, one month on from the mandatory compliance date, transactions worth £4.3m million a day were still being declined as a result of businesses not updating their payments systems. This has huge ramifications for businesses' sales.

All merchants therefore need to ensure they understand and are compliant with the changes. It's also worth investigating sophisticated payment technologies, which can help businesses to reduce friction when checking out, as well as enabling them to take advantage of strategic SCA exemptions, all of which can help drive consumer loyalty and protect the ecommerce revenue stream of any business.

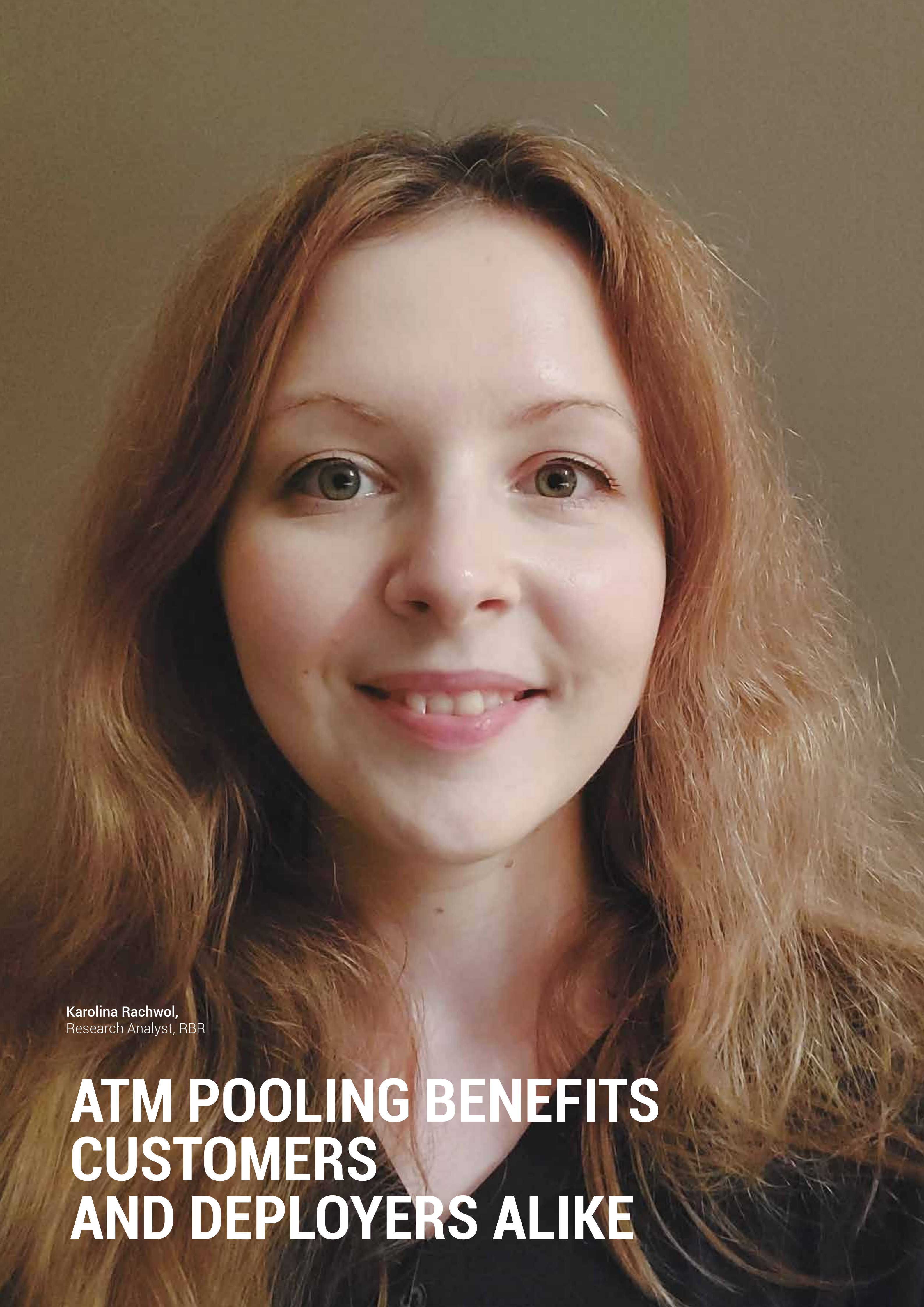
4. *Choosing regulated Buy Now Pay Later options*

Alternative finance options such as Buy Now Pay Later (BNPL) are becoming increasingly common and some customers, particularly younger customers, now expect them to be available. In fact, among the merchants surveyed in our report, more than 8 in 10 businesses predict an increase in demand in the next 12 months.

Merchants recognise the increased opportunities offered by BNPL, but some are wary of the risks such as defaults if customers fail to keep up with payments. For example, some BNPL products don't require a full credit check for consumers to access finance, increasing the risk that they get into unmanageable debt.

When choosing a point-of-sale finance partner, it can be very tempting for merchants to focus solely on the commercials, filtering providers by highest acceptance rates or lowest fees. However, in the long term, this approach is counter-productive, because it overlooks a vital part of the lending process – ensuring that the lending is right for each customer, and that the amount they're borrowing is affordable.

During a period of economic turbulence, consumer loyalty can be fragile. For merchants, offering the right payment options – those which offer a smooth, secure, and seamless customer experience – can provide a competitive edge over rivals.



Karolina Rachwol,
Research Analyst, RBR

ATM POOLING BENEFITS CUSTOMERS AND DEPLOYERS ALIKE

ATM pooling is steadily gaining favour around the world. In recent years many markets have seen the emergence of ATM pooling arrangements; these range in scale from creating a joint organisation uniting all of member deployers' ATMs which will centrally manage them, to partnerships between deployers.

Such collaborations tend to have multiple benefits, both for deployers and for their customers. In some mature markets in particular, cutting down on deployment costs and optimising ATM distribution has been a priority as customer habits change and cashless payment methods become increasingly popular.

ATM pooling helps improve access to cash

In both the Netherlands and Belgium, the launch of ATM pooling initiatives was in part motivated by a need to improve ATM accessibility in their respective markets. In 2019, four Dutch banks decided to join forces under the shared brand Geldmaat, uniting their ATMs into a collective estate. After years of collaboration via ATM sharing agreements, the joint organisation was formed. The only remaining bank deployer not participating in the network removed ATMs in 2020, at which point Geldmaat came to represent all bank-owned terminals in the Netherlands.

There has been a redistribution of Geldmaat ATMS; its terminals have been removed completely from the inside of bank branch premises – though many of these ATMs will simply be relocated to more rural areas of the country. Indeed, Geldmaat entered an agreement with the Dutch consumer association Consumentenbond, intending to make it so that all residents in the country can access an ATM within a 5-kilometre range of their home.

A similar arrangement has taken place next door in Belgium. Batopin – short for "Belgian ATM Optimisation Initiative" – emerged in 2019 as an entity comprising the market's four largest banks. In 2021, Batopin formed a 10-year collaboration with the Belgian national rail company, SNCB, aiming to improve ATM footprint in areas away from urban centres in the country. Terminals resulting from this partnership will be deployed at railway stations in Belgium and are expected to be particularly valuable to elderly customers, who are typically among the most cash dependent.

ATM pooling is being trialled in France

In France, the Groupement des Cartes Bancaires (CB) network has been in place for a long time, dating back to 1986. In late 2021, however, French deployers decided to try to increase the scope of their collaboration by trialling an ATM pooling project. Three banks – BNP Paribas, Crédit Mutuel and Société Générale – joined forces to pool their ATMs, motivated by the decline in cash usage seen in the market, accelerated following the outbreak of the COVID 19 pandemic.

Although at the moment this arrangement is limited to offering cardholders of the member banks full access to all services offered by their ATMs, the collaboration might be further expanded in the future. Despite declining cash usage, this pooling initiative is also hoping to help preserve access to cash in France, especially for customers residing in rural and isolated areas of the country.

Turkish deployers pool ATMs to reduce costs and provide uniform user experience

Turkey differs considerably from Belgium, France and the Netherlands when it comes to cash usage – while western European markets generally saw an acceleration of the decline in cash payments in 2020, Turkey continues to see large volumes of cash being handled. Therefore, Turkish deployers want to ensure that cash access points are spread evenly around the market so that customers can obtain it easily.

Three state-owned banks, three participation (Islamic) banks and the Turkish post office have entered a collaboration recently, called Türkiye'nin ATM Merkezi (TAM for short), which stands for "ATM centre of Turkey". Aside from improving ATM footprint in the market, an additional benefit to the deployers involved will be the projected cost cutting, as the TAM initiative will save them around TRY 1 billion.

This partnership will stand out considerably from ATM sharing agreements of the past which have usually taken place between a more limited number of banks and consisted of only low-scale terminal sharing, such as waiving transaction fees for customers of the partner bank.

In contrast, TAM will be a wide scale collaboration, with its ATMs sharing the same branding and software. It is expected to be completed in 2023, with a total of 19,000 terminals, around a third of ATMs in Turkey. There were 300 terminals already deployed in Istanbul, Ankara and Izmir at the end of 2021, all featuring the new branding and running over the same software.

Where will ATM pooling take off next?

There are many markets which seem ripe for ATM pooling in the future. One pertinent example would be Thailand, where it is not uncommon to find several ATMs – typically between four to six – deployed at the same off-site location by different banks.

An ATM pooling agreement would solve this issue of ATM overcrowding, as deployers participating in the scheme would be able to move their terminals to other locations without disadvantaging their ATMs, given that all of them would be considered as belonging to the same entity. There have already been two pilots of white label terminals in 2019 and 2020 in Thailand (the first launched by the network ITMX and the second formed between Kasikornbank and GSN), and although they seem to have stalled, a future ATM pooling scheme could still happen.

In Japan, meanwhile, existing ATM sharing agreements could also potentially morph into ATM pooling schemes in the near future. At the moment such agreements include the operation of joint terminals by some regional banks and the sharing of off-site ATMs during certain hours between MUFG and SMBC, two of the country's megabanks.

In some markets, ATM pooling was the logical next step from small-scale ATM sharing arrangements. Given the efficiencies of ATM pooling – which can provide uniformised management of terminals and helps to distribute them more evenly without disadvantaging any of the member deployers – many markets will undoubtedly want to reap its benefits and launch their own pooling arrangements in time.

RBR's annual report Global ATM Market and Forecasts to 2027 is a comprehensive analysis of the development and future of the global ATM market.

Igal Rotem,
CEO,
Finaro

Igal Rotem is a seasoned high-tech executive and serial entrepreneur, former founder and CEO of a publicly traded (NASDAQ) company, with extensive business development, sales management and strategic business planning skills.
Igal has successfully spearheaded companies through their entire lifecycle stages: start-up, accelerated growth, turnaround, IPO on NASDAQ, joint venture, and finally through acquisition. Since mid-2010, Igal has been the executive chairman, CEO and board member of Finaro (formerly Credorax Inc.), a global cross-border payment provider empowering international commerce through brilliantly simple payments. After undergoing a global rebrand at the end of 2021, Igal has led Finaro to secure an impressive 40% Year-on-Year Compound Annual Growth Rate.

DRILL DEEP INTO YOUR DATA AND CASH IN ON THE CROSS-BORDER E-COMMERCE CRAZE

The ecommerce sector is booming, with more than 2.1 billion global consumers now shopping online. And, in even better news for online retailers, a growing number of those transactions are cross-border payments, making for a market worth $1 trillion.

As merchants step onto the global stage, there are a wealth of opportunities to be had, offering an almost limitless customer base and huge expansion potential.

How to track your customer's journey

With such huge growth volumes and fierce competition in the online sphere, it's getting harder to stand out on just price alone. As more entrants jostle for space, profit margins shrink even further, putting more pressure on time-pressed merchants.

It takes more than a dazzling website resplendent with all the virtual eye-catching gimmicks and promotions to garner sales. Have you paid any attention to your customer's online journey? How easy is it for your customers to buy what they want with the payment method they prefer?

And, if you're selling cross-border, you have bigger issues to contend with. Your customers are not limited by borders when shopping online. They expect to see pricing in their local currency, and products described in their own language.

Merchants often underestimate the impact that well-managed payments can have on their business' bottom line. This lack of understanding bites directly into a merchant's acceptance rate, particularly when it comes to international transactions – these tend to have much higher decline rates than local payments.

Merchants wishing to take advantage of a marketplace that stretches from Antarctica to Australia need to understand that maximizing acceptance rates is critical to the success of their international business.

Drilling deep into your transaction data could unlock the cause of your declined payments – and open up a goldmine of cross-border sales.

Minimize declines for maximum approvals

Even a slight improvement in acceptance and approval rates can have a massive impact on the performance of your transaction funnel, much more so than many other business improvement processes. In fact, increasing approval rates by just 5% can boost revenues by as much as a fifth.

Advanced analytics and data modelling ingenuity can be used to determine transaction profitability and identify and resolve issues in the approvals process. It could be as simple as your fraud rule sets are so tight that they're blocking legitimate transactions from abroad. Or your customer's card issuer may not recognize your acquirer.

The great news is that merchants don't have to become the Sherlock Holmes of online transaction declines by themselves. Working with the right payment service provider, with a dedicated team of analysts, can pinpoint any issues in your entire transaction funnel.

That includes data from the cardholder, payment gateway, card scheme and issuer to investigate why transactions are declining. Merchants should also have access to detailed, real-time 24/7 monitoring and analysis, including easy-to-use data dashboards, and dedicated account managers who know the merchant's business inside out.

Detecting problems as early as possible in the payment process minimizes declined transaction rates, boosts approval rates, and generates a wealth of business intelligence. Not only that, but armed with the right data tools, merchants can get a clear picture of their customer's payment journey from start to finish – with the power to remove any obstacles on their way to the 'pay' button.

finaro

Ashley Mallet,
Head of Business and Enterprise,
Paysend

THE FUTURE OF FRICTIONLESS PAYMENTS

Ashley Mallet, Head of Business and Enterprise at Paysend, looks at how frictionless payments are evolving and what the next few years will hold

Since the launch of credit cards in the 1950s, the financial services industry has been steadily evolving payment processes to make them as seamless as possible, and this has accelerated over the last decade with the mobile revolution. Amid the shift to digital, consumers continue to demand simpler and more accessible financial solutions, while businesses are also looking to alternative digital solutions for ways to transfer money more cheaply, manage their finances more easily and on fewer platforms. As such, frictionless payments are becoming an essential service component for competitive businesses.

The Covid-19 pandemic has had a significant effect on the evolution of the payments landscape. As digitisation has rapidly accelerated for companies across the globe, we have seen a large uptick in online shopping and consumers embracing contactless payments. In a digital first world, businesses are having to rapidly adapt to meet consumer expectations of flexible, efficient and low-cost payment solutions. As a result, companies and payments providers are competing to innovate and provide the most useful and relevant customer experience, at the forefront of their strategies.

Frictionless and embedded payments are now an expectation for millions of businesses and consumers globally. So, what does the future look like?

- ***Collaboration and partnerships*** – As consumer expectations evolve, the demand for fast, low-cost payment solutions has accelerated. Collaboration and partnerships amongst financial ecosystem players will be key to meeting these demands and innovating to improve and evolve both payments technology and the customer experience. For example, by connecting banks with third party providers, such as fintechs and payment processors, via open APIs, Open Banking enables customers to securely share their financial data with other financial institutions. Collaboration of this kind allows for innovation of the customer experience and significantly reduces tedious administration processes. Open Baking will continue to play a major role in the adoption of frictionless payments.
- ***Financially inclusive, holistic platform*** – Amongst the challenges SMEs can face is having to manage complex processes and infrastructure for financial services across a variety of different providers. There is a clear need for a user friendly, low-cost holistic platform to meet all SMEs' payments and other financial services needs in one place. Fintechs are developing such payment platforms which can address specific customer needs and provide personalised support. With customers requiring greater flexibility than ever before, providers will need to offer more than generic support in order to remain competitive. As the infrastructure across these new payment platforms continues to develop, SMEs will have fewer costs, less hassle and more time to spend on core business strategies. This will further break down the financial and administrative barriers to entry for launching a business.
- ***More convenience*** – Peer-to-peer (P2P) payments will continue to grow next year as cash usage continues to decline and consumers seek greater convenience. With increased adoption of instant payments, customers are prepared to divert from the standard offerings provided by traditional financial institutions and are moving towards newer, all-digital and real-time solutions for money transfers. According to the World Bank, the volume of personal remittances reached $647 billion in 2020 and is likely to rise by 2.6 per cent by the end of 2022.
- ***Local experiences, global transfers*** – Regardless of their location, consumers want to be able to transfer money however they choose, from any location. Hyper-localization of payments helps give local experiences to customers transacting globally. For instance, buying cross border is easier when using payment solutions that enable international merchants to accept local payment methods. Additionally, customers' needs are better met with solutions which allow them to pay via their preferred local method, on an international scale.

Consumers are no longer tied to the traditional banking model for their financial solutions and are looking to newer, all-digital and innovative companies that can offer alternative, more scalable and affordable means of transferring money. As a result of shifting customer preferences, the digital payments space is fast-moving and rapidly evolving, and ecosystem players must move quickly to stay relevant and competitive. Ultimately, merchants will need to curate value-add experiences to compete, and those that don't offer frictionless payments will fall behind the curve.

PAYSEND

Paysend is a next generation integrated global payment ecosystem, enabling consumers and businesses to pay and send money online anywhere, anyhow and in any currency. Paysend currently supports a cross-network operability globally across Mastercard, Visa, China UnionPay and local ACH and payment schemes, providing over 40 payment methods for online SMEs. Paysend can send money to 135 countries worldwide and has attracted more than five million consumers to its platform.

About Ashley Mallet:

Ashley Mallket is Head of Business and Enterprise at Paysend and joined the company in January 2021. He leads delivery and execution of Paysend's B2B and Enterprise product suites. With over 15 years experience in the financial services space he formerly led sales and business development teams at Geoswift and Western Union.

FIVE BUSINESS PROBLEMS SOLVED BY NETWORK TOKENIZATION

Network tokens are a hot topic in the payment ecosystem right now. But what exactly do they solve for, and how?

Adel Naamneh,
VP Solutions Engineering,
Checkout.com

Adel is VP of Solutions Engineering at Checkout.com, working with its biggest clients to design and implement industry-leading payments solutions that meet their unique and complex needs.

Innovation in payments is ever-evolving. And one of the big topics in the industry right now is network tokens.

These unique digital identifiers supply a tokenized value as a substitute for a primary account number (PAN) across the payment chain. They replace sensitive card data, such as the account number and expiry date on the front of a card used for payment, without exposing the actual account details.

The unique characteristics of network tokens provide the primary benefit of enhancing the security of card payments. However, they can deliver a whole host of other business benefits.

Let's look at five of the benefits network tokens can provide businesses.

1. Maximize repeat business

Credit and debit cards have a reasonably long shelf life. But they do expire — typically between two to five years after their issue date and sometimes sooner if the card is lost, stolen, damaged or compromised. And when a consumer receives their new cards, they may not remember to update their information with merchants.

Merchants offering subscription services know the pain of this situation and the involuntary churn it creates. To combat this, they've built various techniques to inform customers their cards are expired or are close to expiring and to request they update their information. But this process typically comes with an operational overhead and back-office cost. It's also not foolproof, meaning involuntary churn still accounts for 20% to 40% of all churn amongst subscription businesses.

Network tokenization provides a more robust solution as it neatly side-steps the problem of expired or canceled cards. This is because network tokens are dynamically and proactively updated in real-time, meaning the customer's payment details are always current.

Moreover, it's possible to apply rules around where, when and how network tokens are used. This means that if a token is compromised at one merchant, it won't negatively affect how other businesses process it. This increases the chances that businesses will always have the correct card number to tap into dependable recurring revenues.

2. Boost conversion at the checkout

Friction at checkout is the most likely reason customers abandon their purchases. Yet inputting card and shipping details can be a clunky experience.

A smooth checkout experience that doesn't get in the way of a sale is critical. That's why merchants increasingly allow customers to pay via options that rely on the customer having their card on file. And it's paying dividends. Solutions like mobile wallets and one-click checkout options, powered by network tokenization, are making the user experience both seamless and more secure, leading to higher conversion rates.

3. Improve authorization rates

A sale isn't complete until the customer's card issuer authorizes it. Our data shows that two-thirds of online retailers operate with authorization rates below 89%. So, there's plenty of room for improvement — and the incremental revenue that comes with it.

However, the biggest challenge for everyone in the payments value chain is validating the customer's authenticity and payment credentials. Is the customer who they say they are? And are their card details legitimate? Card issuers, acquirers and merchants are all trying to balance a first-class, frictionless customer experience with robust security and regulatory requirements.

Tokenizing card numbers for additional security isn't new. But unlike PCI tokenization between merchants and their acquirers or PSPs, network tokenization includes card issuers. After card schemes issue the tokens, they are shared with issuers, giving them greater visibility over token activity on the merchant side. The more control and visibility issuers have over tokens, the more confident they are likely to be in approving transactions and the better the authorization rates.

4. Reduce fraud

Card-not-present fraud cost ecommerce merchants an estimated $35.5 billion globally in 2020. The pandemic has turbo-charged this type of fraud. It's no wonder that 41% of merchants told us that managing fraud and cyber is their top challenge in 2022.

However, protecting the business from fraud is a tricky balancing act. Letting too much fraud through hits revenue and damages a business's reputation. Yet over-protecting your business can have a similar effect. Declining the payment of a legitimate customer is one of the most expensive mistakes a business can make.

The higher security level with tokens leads to the potential for a lower fraud-to-sales ratio for such transactions, thus improving payment success rates. Tokenization also serves to neutralize the impact of phishing and malware attacks. Even if criminals steal tokenized data, they cannot use it.

5. Drive cost savings

Visa has announced plans to charge non-network token transactions at a higher rate. Merchants can help mitigate the cost impact of this rate increase by adopting network tokenization.

Storing sensitive cardholder data also places a heavy – and costly – security burden on businesses. Network tokenization cuts the costs of security compliance by reducing the scope of PCI DSS. A token alone is not enough to complete a sale. Merchant-specific information is also required, rendering stolen token details useless.

When it comes to driving cost savings, fully-loaded costs to a business of a data breach are far more significant than just a fine. These include the direct costs of lost revenue, incident response and breach notification. Plus the indirect costs that manifest when a business has its reputation damaged.

Realizing the benefits of network tokens

With the growth in digital commerce, customers expect increased speed, convenience, value and choice. Network tokenization can help deliver this along with more repeat business from the subscription economy, better conversion, authorizations rates, fraud rates and cost savings.

checkout.com

Katherine Emirosan,
Business Development Manager,
Financial IT

THE RISE OF CROWDFUNDING: EMPOWERING INVESTORS AND ENTREPRENEURS

In April-May 2022, Relai, a Swiss saving and investment app that offers informed, empowered, and secure investment in bitcoin, and Moneybox, UK's award-winning digital wealth manager, raised funds via the biggest equity crowdfunding platform in UK – Crowdcube. These start-ups banked €2.06mn and £6.25mn respectively in just a few days after the launch of their official fundraising campaigns online.

Globally, too, the crowdfunding scene is expanding quickly. Young companies and start-ups can use alternative finance platforms like Crowdcube, AngelList, Kickstarter, Indiegogo, Auxmoney, Lending Club, etc. According to ResearchAndMarkets.com, the global crowdfunding market reached a value of US$13.35bn in 2021 and is projected to double in size by 2027, growing at a compound annual growth rate (CAGR) of 11.7%.

Fundly announced that 6,445,080 crowdfunding campaigns were held in 2019 and the number of campaigns will grow up to 12,063,870 by 2023. Technology (including FinTechs) is the second-largest category for crowdfunding investments after the film industry.

Milestones of crowdfunding

Crowdfunding has been around for longer than a lot of people realise. ArtistShare is a pioneer crowdfunding platform for the music industry established in 2000 in the United States followed later by Sellaband (2006), IndieGoGo (2007), Kickstarter (2010), Gofundme (2010), Crowdcube (2011) and others. The platform was described as a "completely new business model for creative artists" as it allowed fans to finance the production costs of albums they liked.

By 2011, the industry had grown to the extent that it raised $1.5bn that year. In 2011, the number of equity-based crowdfunding platforms grew by 21 percent. In 2016 blockchain startups raised $200 million in initial coin offerings (ICOs), a new form of crowdfunding based on cryptocurrency tokens.

Crowdfunding received a boost from the global financial crisis of 2008-09, when platforms were able to provide alternative means of procuring investments for venture capital (VC) players and start-ups. The exposure of new technologies and innovations also played a huge role in the emergence of crowdfunding platforms.

In various countries, it was fair to say that, wherever crowdfunding went, the regulators followed. In 2012, US President Barack Obama signed the Jumpstart Our Business Startups (JOBS) Act into law which aims to lessen regulatory burdens on small businesses and has legalized equity crowdfunding. This includes removing the ban on a general solicitation that prevents entrepreneurs from publicizing that they're raising money.

In the same year, the Crowdfunding Association was launched in the UK with the purpose of promoting the interests of crowdfunding platforms, their investors, and clients. The Association upholds certain standards, requiring its members to agree on the UKCFA code of conduct and champion crowdfunding with various promotional and lobbying activities. Such countries like Italy, New Zealand, India, Malaysia, Hong Kong, Australia, and Singapore imposed crowdfunding regulations and launched their own regulatory "sandboxes" allowing crowdfunding companies to test their business ideas in the market under simplified regulations.

In 2016 China introduced its first peer-to-peer (P2P) lending guidelines right after the Ezubao Ponzi scheme scandal, which had resulted in a $7.6bn loss for its investors.

In 2020, the Securities and Exchange Commission (SEC) increased the regulatory crowdfunding maximum amount for a company from $1.07 million to $5 million. This also accelerated the growth of new equity-based crowdfunding campaigns worldwide.

So, what is crowdfunding?

In 2013 the World Bank Group described crowdfunding as an "Internet-enabled way for businesses or other organizations to raise money in the form of either donations or investments from multiple individuals".

In this connection, crowdfunding is divided into four major groups:

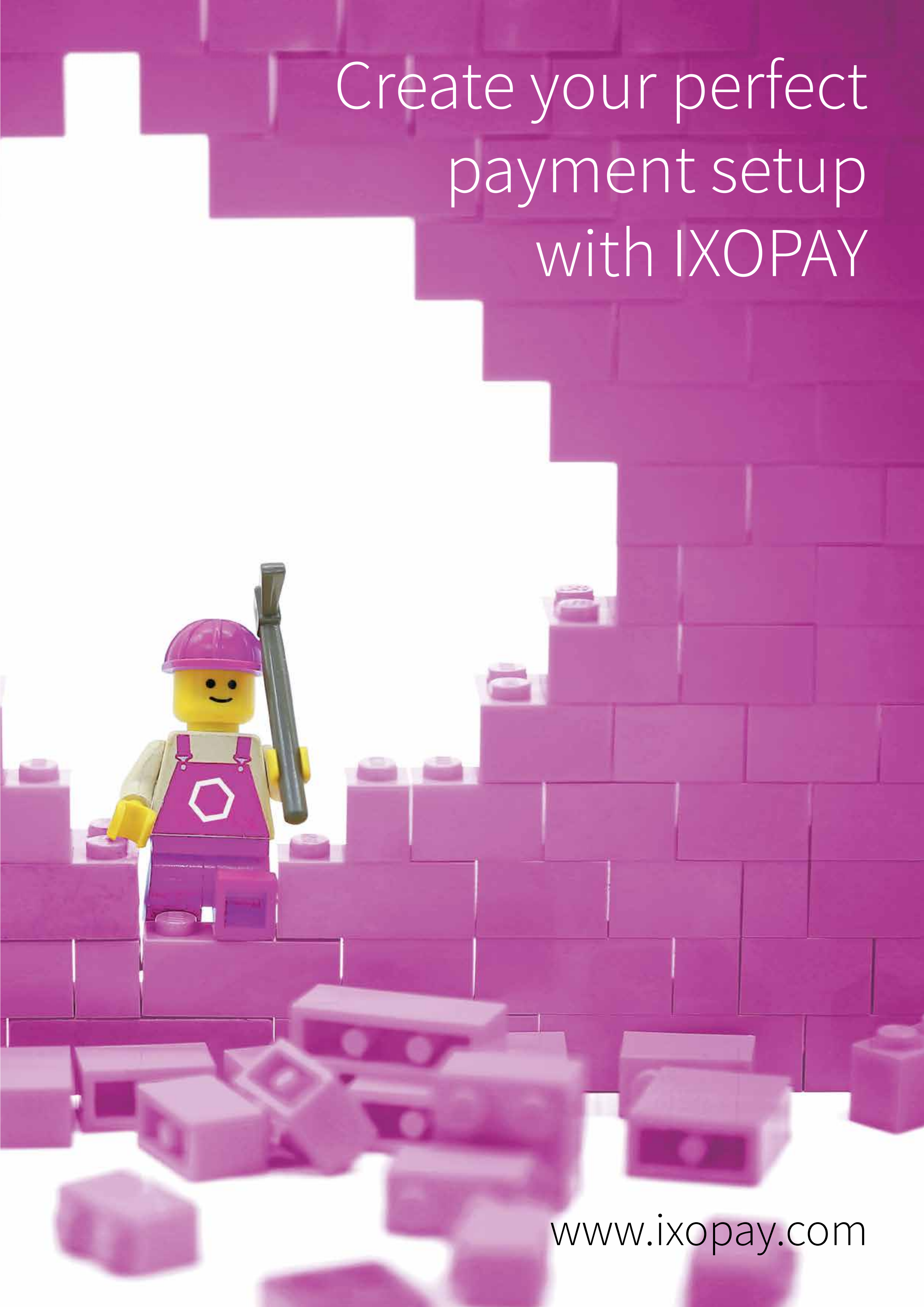
Financial return models – equity-based and loan-based crowdfunding

Non-financial return models – donation-based and reward-based crowdfunding.

Those four categories were also joined by crypto, mini-bonds and buy-to-let crowdfunding.

Each of the models brings its own benefits and risks for investors and founders. Apart from the common risks associated with start-up funding such as the risk of failure, low liquidity, capital risk and equity dilution, there is a high risk of fraud (as in the case of Ezubao). As a result, most crowdfunding platforms are obliged to do a KYC/AML check before onboarding new investors and start-ups on their platforms. Some crowdfunding platforms like AngelList has more stringent requirements on their platform and onboard only accredited investors with an individual annual income of

Back to the Table of Contents


Create your perfect payment setup with IXOPAY
www.ixopay.com

at least $200,000 for the last two years to make sure only the best gets in.

Crowdfunding is popular for its apparent benefits – easy access to capital for start-ups (opportunity to showcase the projects to a larger number of potential investors, as compared to conventional forms of capital raising) and lucrative returns for investors (there is a possibility that a company may become a unicorn, with a stockmarket capitalisation of over $1bn.).

How do crowdfunding platforms monetize?

In 2011 there were 434 crowdfunding platforms globally (according to Statista). Today, 1,468 crowdfunding companies are registered in the United States alone (according to Crunchbase). This implies that the crowdfunding business concept is highly profitable.

Platform fees are the main way in which crowdfunding platforms make money. Typically those fees vary from 5% to 10% (for example, Crowdcube and Seedrs charge 7%, and AngelList and Auxmoney charge 5%) of funds raised successfully on the platform. The fees also depend on the platform model approach "all or nothing approach" meaning that the funding objective is binding or a "keep it all" approach. Besides, the platform fee there is a payment processing fee that averages about 3%.

There are some investment advisory services or funds set up services that some platforms offer to increase their revenues. For example, AngelList charges 1% admin fee for traditional funds of fund size (capped at $25k per year) or rolling funds fee (RF is an investment vehicle that raises money through a quarterly subscription from interested investors) that is calculated as [invested capital x 0.15%] paid out over 10 years.

For new start-ups, the platform offers a Roll-Up Vehicle (RUV) service that includes a one-time custom fee of $2,500 paid by founders.

Additionally, some crowdfunding platforms scale with other side services such as recruiting. For example, AngelList launched AngelList Recruit, giving the opportunity for start-up founders to have access to more than 2.3 million candidates on the platform if they subscribe for Pro package with a fee of $250 per month.

AngelList's business model is based on Syndicates, which are like "pop-up" VC funds.

Syndicates are single-deal start-up investment funds that allow multiple investors to pool their capital. Each syndicate is led by an experienced angel investor who vets each investment and demonstrates confidence to others in the pool.

Key aspects of the business model are as follows:

- The Syndicate lead invites others to pool their capital in a start-up
- AngelList charges a 5% "carry" fee for managing the process
- The Syndicate lead then collects 15% of the gained return amount from the invited investor

A note on the regulatory landscape for crowdfunding in Europe

In a survey conducted in 2021 by CrowdSpace, 71% of the platforms were authorised and 29% were not authorised by the regulator (meaning they were not required to be authorised at the time of the survey).

Half of the unauthorized platforms offer equity investment opportunities. They are registered in Estonia, Latvia, Croatia and the Netherlands and are getting ready to implement the necessary adjustments as per the European Crowdfunding regulations. Some 63% of platforms said they are preparing for the new pan-European regulations, while 31% said it doesn't concern them. And for 6%, it's nowhere in their immediate plans. None of the UK platforms that participated in the survey is preparing for the ECSP regulations.

On 10 November 2020, the Regulation on European Crowdfunding Service Providers (ECSP) for business entered into force. The initiative was part of the European Commission's fintech action plan and the mid-term review of the capital markets union action plan. The regulation lays down uniform rules across the EU for the provision of investment-based and lending-based crowdfunding services related to business financing. It allows platforms to apply for an EU passport based on a single set of rules, which makes it easier for them to offer their services across the EU with a single authorisation.

At the end of July 2020, the European Council adopted new rules for crowdfunding platforms which cover campaigns for up to €5 min. Reward- and donation-based crowdfunding are outside the regulatory scope.

Crowdfunding in France has been regulated by Autorité des marchés financiers (AMF) since 2014. In France, all crowdfunding platforms (except for the donation-based) must be registered in the ORIAS single registry as a crowdfunding consultant.

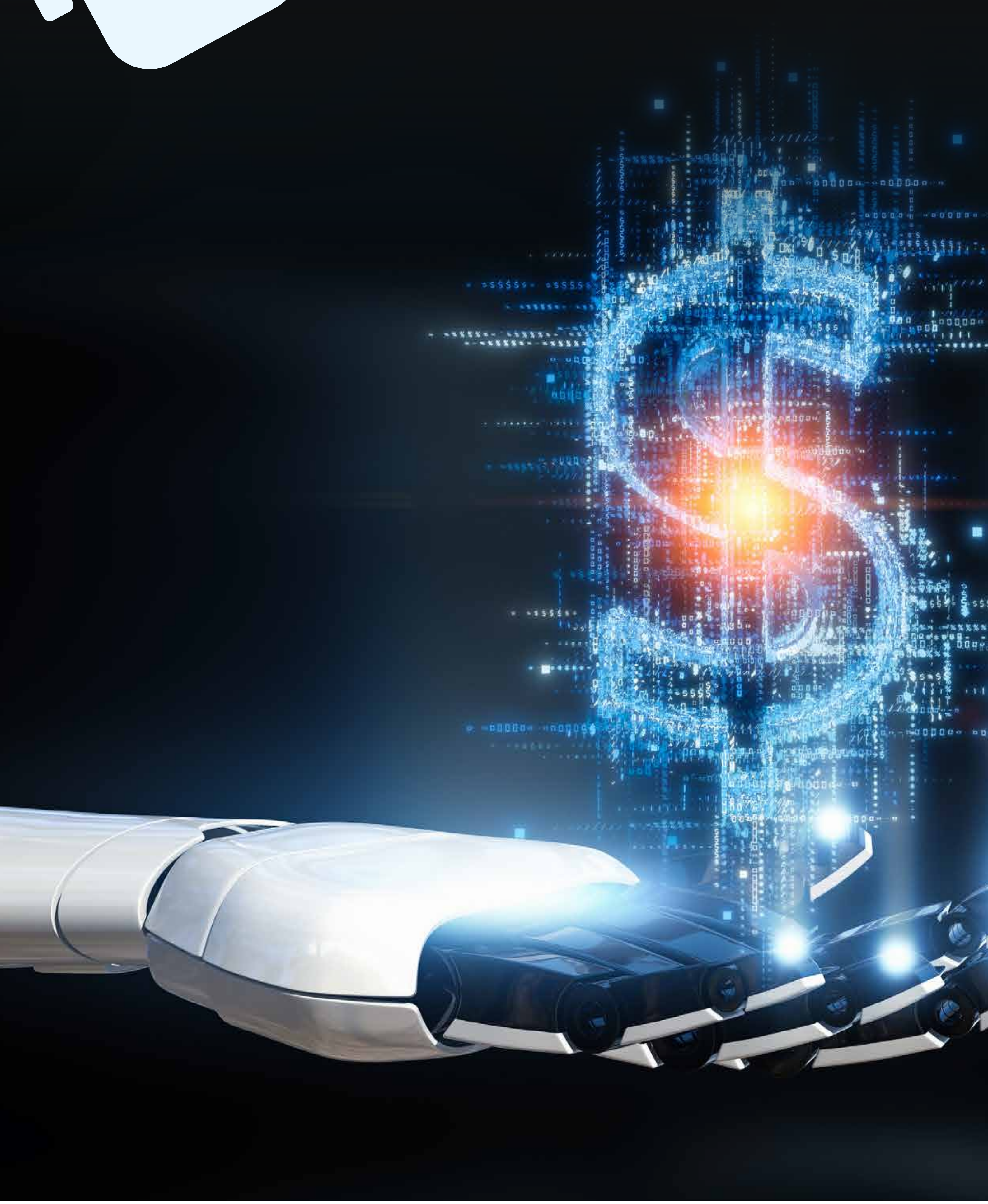
Crowdfunding in Germany is regulated by the German Financial Supervisory Authority (BaFin). The German Crowdfunding Association has recently adopted improvements to the legal framework for crowdfunding. According to the amendments, the individual investment limit was increased from €10,000 euros to €25,000 euros per investor per year.

UK crowdfunding regulation started in 2014, following the release of new rules that aimed to protect consumers from fraud and improve the UK financial system. Crowdfunding platforms in the UK are also regulated by the FCA. The Competition and Markets Authority (CMA) has the power to control merger and acquisition deals in the crowdfunding industry as well. For example, in 2020 CMA raised concerns about Crowdcube's and Seedrs' plan to merge and concluded to blocking the transaction of a £140 million ($192 mn) agreement due to substantial lessening of competition. Two businesses control 90% of the crowdfunding market in UK. As the result of the terminated merger, in 2021 Seedrs was bought by Republic for $100mn.

What is next?

The European Union is harmonizing crowdfunding rules across its 27 member countries. Earlier in April 2022, Crowdcube announced the expansion of its equity crowdfunding platform to France after a successful Series A investment round for the French start-up Finary, which managed to raise €2.17 million from 983 investors in just 21 minutes. In 2021, and as noted above, Republic acquired Seedrs for $100m: Republic also bought a Korean startup portal. All these changes make the world of crowdfunding become borderless, encouraging harmonisation in regulations. Soon it could be possible to see start-ups raising capital overseas via crowdfunding platforms without any regulatory limitations. And the crowdfunding platforms will scale dramatically in terms of the number of successful deals and volumes, possibly becoming the mainstream in the alternative finance sector. As capital returns remain high, and risks are lowered, crowdfunding will attract more VC financiers and more entrepreneurs.

Financial IT
Innovations in FinTech



ITS
WWW.ITS.WS

ETHIX NG
Next Generation

Next Generation Banking is Here.

ETHIX NG

Redefining Islamic Finance

ETHIX NG is the core banking solution designed for today's transforming banking landscape. **ETHIX NG** brings together frontier technologies including AI, Machine learning and Big Data to streamline processes, facilitate connectivity and collaboration, including with fintech's, and elevate Financial institutions to the Digital Age. Discover how **ETHIX NG** powers processes across multiple organizational business units, delivers customized and personalized screen designs and reduces credit risk and human error - all from one core platform! Discover the future of finance today.

Let's Stay Connected

ITSCorporate ITS_Corporate ITSCorporate ITSGroup info@its.ws

Paris FinTech Forum by Altéir | 2022
Communities

SUMMER SESSIONS
JUNE 15 & 30

A COLLECTION OF EXCLUSIVE DIGITAL CONTENTS & IN PERSON SIDE EVENTS ALL ACROSS 2022

APRIL **21** • JUNE **15** • JUNE **30** • OCTOBER **04** • OCTOBER **19** • NOVEMBER **17** • NOVEMBER **24**

JOIN US parisfintechforum.com

BANKING CIRCLE · BNP PARIBAS · BPCE DIGITAL & PAYMENTS · Caisse des Dépôts GROUPE · Crédit Mutuel ARKEA · SOCIETE GENERALE · sopra steria